

MOORHEAD-SCHROEDER PATENT REFORM ACT

SEPTEMBER 12, 1996.—Committed to the Committee of the Whole House on the  
State of the Union and ordered to be printed

Mr. MOORHEAD, from the Committee on the Judiciary,  
submitted the following

R E P O R T

[To accompany H.R. 3460]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Judiciary, to whom was referred the bill  
(H.R. 3460) to establish the Patent and Trademark Office as a Gov-  
ernment corporation, and for other purposes, having considered the  
same, report favorably thereon with an amendment and rec-  
ommend that the bill as amended do pass.

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The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof  
the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Moorhead Schroeder Patent Reform Act”.

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# TITLE I—PATENT AND TRADEMARK OFFICE GOVERNMENT CORPORATION

### SEC. 101. SHORT TITLE.

This title may be cited as the “Patent and Trademark Office Government Corporation Act of 1996”.

## Subtitle A—United States Patent and Trademark Office

### SEC. 111. ESTABLISHMENT OF PATENT AND TRADEMARK OFFICE AS A GOVERNMENT CORPORATION.

Section 1 of title 35, United States Code, is amended to read as follows:

#### “§ 1. Establishment

“(a) ESTABLISHMENT.—The United States Patent and Trademark Office is established as a wholly owned Government corporation subject to chapter 91 of title 31, and shall be an agency of the United States under the policy direction of the Secretary of Commerce, except as otherwise provided in this title. For purposes of internal management, the United States Patent and Trademark Office shall be a corporate body not subject to supervision by any department, except as otherwise provided in this title.

“(b) OFFICES.—The United States Patent and Trademark Office shall maintain an office in the District of Columbia, or the metropolitan area thereof, for the service of process and papers and shall be deemed, for purposes of venue in civil actions, to be a resident of the district in which its principal office is located. The United States Patent and Trademark Office may establish offices in such other places as it considers necessary or appropriate in the conduct of its business.

“(c) REFERENCE.—For purposes of this title, the United States Patent and Trademark Office shall also be referred to as the ‘Office’ and the ‘Patent and Trademark Office’.”.

### SEC. 112. POWERS AND DUTIES.

Section 2 of title 35, United States Code, is amended to read as follows:

#### “§ 2. Powers and Duties

“(a) IN GENERAL.—The United States Patent and Trademark Office shall be responsible for—

“(1) the granting and issuing of patents and the registration of trademarks;

“(2) conducting studies, programs, or exchanges of items or services regarding domestic and international patent and trademark law, the administration of the Office, or any other function vested in the Office by law, including programs to recognize, identify, assess, and forecast the technology of patented inventions and their utility to industry;

“(3)(A) authorizing or conducting studies and programs cooperatively with foreign patent and trademark offices and international organizations, in connection with the granting and issuing of patents and the registration of trademarks; and

“(B) with the concurrence of the Secretary of State, authorizing the transfer of not to exceed \$100,000 in any year to the Department of State for the purpose of making special payments to international intergovernmental organizations for studies and programs for advancing international cooperation concerning patents, trademarks, and related matters; and

“(4) disseminating to the public information with respect to patents and trademarks.

The special payments under paragraph (3)(B) shall be in addition to any other payments or contributions to international organizations described in paragraph (3)(B) and shall not be subject to any limitations imposed by law on the amounts of such other payments or contributions by the United States Government.

“(b) SPECIFIC POWERS.—The Office—

“(1) shall have perpetual succession;

“(2) shall adopt and use a corporate seal, which shall be judicially noticed and with which letters patent, certificates of trademark registrations, and papers issued by the Office shall be authenticated;

“(3) may sue and be sued in its corporate name and be represented by its own attorneys in all judicial and administrative proceedings, subject to the provisions of section 7;

“(4) may indemnify the Commissioner of Patents and Trademarks, and other officers, attorneys, agents, and employees (including members of the Management Advisory Board established in section 5) of the Office for liabilities and expenses incurred within the scope of their employment;

“(5) may adopt, amend, and repeal bylaws, rules, regulations, and determinations, which—

“(A) shall govern the manner in which its business will be conducted and the powers granted to it by law will be exercised;

“(B) shall be made after notice and opportunity for full participation by interested public and private parties;

“(C) shall facilitate and expedite the processing of patent applications, particularly those which can be filed, stored, processed, searched, and retrieved electronically, subject to the provisions of section 122 relating to the confidential status of applications; and

“(D) may govern the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Office, and may require them, before being recognized as representatives of applicants or other persons, to show that they are of good moral character and reputation and are possessed of the necessary qualifications to render to applicants or other persons valuable service, advice, and assistance in the presentation or prosecution of their applications or other business before the Office;

“(6) may acquire, construct, purchase, lease, hold, manage, operate, improve, alter, and renovate any real, personal, or mixed property, or any interest therein, as it considers necessary to carry out its functions;

“(7)(A) may make such purchases, contracts for the construction, maintenance, or management and operation of facilities, and contracts for supplies or services, without regard to the provisions of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471 and following), the Public Buildings Act (40 U.S.C. 601 and following), and the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11301 and following); and

“(B) may enter into and perform such purchases and contracts for printing services, including the process of composition, platemaking, presswork, silk screen processes, binding, microform, and the products of such processes, as it considers necessary to carry out the functions of the Office, without regard to sections 501 through 517 and 1101 through 1123 of title 44;

“(8) may use, with their consent, services, equipment, personnel, and facilities of other departments, agencies, and instrumentalities of the Federal Government, on a reimbursable basis, and cooperate with such other departments, agencies, and instrumentalities in the establishment and use of services, equipment, and facilities of the Office;

“(9) may obtain from the Administrator of General Services such services as the Administrator is authorized to provide to other agencies of the United States, on the same basis as those services are provided to other agencies of the United States;

“(10) may use, with the consent of the United States and the agency, government, or international organization concerned, the services, records, facilities, or personnel of any State or local government agency or instrumentality or foreign government or international organization to perform functions on its behalf;

“(11) may determine the character of and the necessity for its obligations and expenditures and the manner in which they shall be incurred, allowed, and paid, subject to the provisions of this title and the Act of July 5, 1946 (commonly referred to as the ‘Trademark Act of 1946’);

“(12) may retain and use all of its revenues and receipts, including revenues from the sale, lease, or disposal of any real, personal, or mixed property, or any interest therein, of the Office, including for research and development and capital investment, subject to the provisions of section 10101 of the Omnibus Budget Reconciliation Act of 1990 (35 U.S.C. 41 note);

“(13) shall have the priority of the United States with respect to the payment of debts from bankrupt, insolvent, and decedents’ estates;

“(14) may accept monetary gifts or donations of services, or of real, personal, or mixed property, in order to carry out the functions of the Office;

“(15) may execute, in accordance with its bylaws, rules, and regulations, all instruments necessary and appropriate in the exercise of any of its powers;

“(16) may provide for liability insurance and insurance against any loss in connection with its property, other assets, or operations either by contract or by self-insurance; and

“(17) shall pay any settlement or judgment entered against it from the funds of the Office and not from amounts available under section 1304 of title 31.”.

#### **SEC. 113. ORGANIZATION AND MANAGEMENT.**

Section 3 of title 35, United States Code, is amended to read as follows:

### “§ 3. Officers and employees

#### “(a) COMMISSIONER.—

“(1) IN GENERAL.—The management of the United States Patent and Trademark Office shall be vested in a Commissioner of Patents and Trademarks (hereafter in this title referred to as the ‘Commissioner’), who shall be a citizen of the United States and who shall be appointed by the President, by and with the advice and consent of the Senate. The Commissioner shall be a person who, by reason of professional background and experience in patent or trademark law, is especially qualified to manage the Office.

#### “(2) DUTIES.—

“(A) IN GENERAL.—The Commissioner shall be responsible for the management and direction of the Office, including the issuance of patents and the registration of trademarks, and shall perform these duties in a fair, impartial, and equitable manner.

“(B) ADVISING THE PRESIDENT.—The Commissioner shall advise the President, through the Secretary of Commerce, of all activities of the Office undertaken in response to obligations of the United States under treaties and executive agreements, or which relate to cooperative programs with those authorities of foreign governments that are responsible for granting patents or registering trademarks. The Commissioner shall also recommend to the President, through the Secretary of Commerce, changes in law or policy which may improve the ability of United States citizens to secure and enforce patent rights or trademark rights in the United States or in foreign countries.

“(C) CONSULTING WITH THE MANAGEMENT ADVISORY BOARD.—The Commissioner shall consult with the Management Advisory Board established in section 5 on a regular basis on matters relating to the operation of the Office, and shall consult with the Board before submitting budgetary proposals to the Office of Management and Budget or changing or proposing to change patent or trademark user fees or patent or trademark regulations.

“(D) SECURITY CLEARANCES.—The Commissioner, in consultation with the Director of the Office of Personnel Management, shall maintain a program for identifying national security positions and providing for appropriate security clearances.

“(3) TERM.—The Commissioner shall serve a term of 5 years, and may continue to serve after the expiration of the Commissioner’s term until a successor is appointed and assumes office. The Commissioner may be reappointed to subsequent terms.

“(4) OATH.—The Commissioner shall, before taking office, take an oath to discharge faithfully the duties of the Office.

“(5) COMPENSATION.—The Commissioner shall receive compensation at the rate of pay in effect for level II of the Executive Schedule under section 5313 of title 5.

“(6) REMOVAL.—The Commissioner may be removed from office by the President only for cause.

“(7) DESIGNEE OF COMMISSIONER.—The Commissioner shall designate an officer of the Office who shall be vested with the authority to act in the capacity of the Commissioner in the event of the absence or incapacity of the Commissioner.

#### “(b) OFFICERS AND EMPLOYEES OF THE OFFICE.—

“(1) DEPUTY COMMISSIONERS.—The Commissioner shall appoint a Deputy Commissioner for Patents and a Deputy Commissioner for Trademarks for terms that shall expire on the date on which the Commissioner’s term expires. The Deputy Commissioner for Patents shall be a person with demonstrated experience in patent law and the Deputy Commissioner for Trademarks shall be a person with demonstrated experience in trademark law. The Deputy Commissioner for Patents and the Deputy Commissioner for Trademarks shall be the principal policy and management advisors to the Commissioner on all aspects of the activities of the Office that affect the administration of patent and trademark operations, respectively.

#### “(2) OTHER OFFICERS AND EMPLOYEES.—The Commissioner shall—

“(A) appoint an Inspector General and such other officers, employees (including attorneys), and agents of the Office as the Commissioner considers necessary to carry out its functions;

“(B) fix the compensation of such officers and employees, except as otherwise provided in this section; and

“(C) define the authority and duties of such officers and employees and delegate to them such of the powers vested in the Office as the Commissioner may determine.

The Office shall not be subject to any administratively or statutorily imposed limitation on positions or personnel, and no positions or personnel of the Office shall be taken into account for purposes of applying any such limitation.

“(c) LIMITS ON COMPENSATION.—Except as otherwise provided by law, the annual rate of basic pay of an officer or employee of the Office may not be fixed at a rate that exceeds, and total compensation payable to any such officer or employee for any year may not exceed, the annual rate of basic pay in effect for the Commissioner for the year involved. The Commissioner shall prescribe such regulations as may be necessary to carry out this subsection.

“(d) INAPPLICABILITY OF TITLE 5 GENERALLY.—Except as otherwise provided in this section, officers and employees of the Office shall not be subject to the provisions of title 5 relating to Federal employees.

“(e) CONTINUED APPLICABILITY OF CERTAIN PROVISION OF TITLE 5.—

“(1) IN GENERAL.—The following provisions of title 5 shall apply to the Office and its officers and employees:

“(A) Section 3110 (relating to employment of relatives; restrictions).

“(B) Subchapter II of chapter 55 (relating to withholding pay).

“(C) Subchapters II and III of chapter 73 (relating to employment limitations and political activities, respectively).

“(D) Chapter 71 (relating to labor-management relations), subject to paragraph (2) and subsection (g).

“(E) Section 3303 (relating to political recommendations).

“(F) Subchapter II of chapter 61 (relating to flexible and compressed work schedules).

“(2) COMPENSATION SUBJECT TO COLLECTIVE BARGAINING.—

“(A) IN GENERAL.—Notwithstanding any other provision of law, for purposes of applying chapter 71 of title 5 pursuant to paragraph (1)(D), basic pay and other forms of compensation shall be considered to be among the matters as to which the duty to bargain in good faith extends under such chapter.

“(B) EXCEPTIONS.—The duty to bargain in good faith shall not, by reason of subparagraph (A), be considered to extend to any benefit under title 5 which is afforded by paragraph (1), (2), (3), or (4) of subsection (f).

“(C) LIMITATIONS APPLY.—Nothing in this subsection shall be considered to allow any limitation under subsection (c) to be exceeded.

“(f) PROVISIONS OF TITLE 5 THAT CONTINUE TO APPLY, SUBJECT TO CERTAIN REQUIREMENTS.—

“(1) RETIREMENT.—(A) The provisions of subchapter III of chapter 83 and chapter 84 of title 5 shall apply to the Office and its officers and employees, subject to subparagraph (B).

“(B)(i) The amount required of the Office under the second sentence of section 8334(a)(1) of title 5 with respect to any particular individual shall, instead of the amount which would otherwise apply, be equal to the normal-cost percentage (determined with respect to officers and employees of the Office using dynamic assumptions, as defined by section 8401(9) of such title) of the individual's basic pay, minus the amount required to be withheld from such pay under such section 8334(a)(1).

“(ii) The amount required of the Office under section 8334(k)(1)(B) of title 5 with respect to any particular individual shall be equal to an amount computed in a manner similar to that specified in clause (i), as determined in accordance with clause (iii).

“(iii) Any regulations necessary to carry out this subparagraph shall be prescribed by the Office of Personnel Management.

“(C) The United States Patent and Trademark Office may supplement the benefits provided under the preceding provisions of this paragraph.

“(2) HEALTH BENEFITS.—(A) The provisions of chapter 89 of title 5 shall apply to the Office and its officers and employees, subject to subparagraph (B).

“(B)(i) With respect to any individual who becomes an officer or employee of the Office pursuant to subsection (h), the eligibility of such individual to participate in such program as an annuitant (or of any other person to participate in such program as an annuitant based on the death of such individual) shall be determined disregarding the requirements of section 8905(b) of title 5. The preceding sentence shall not apply if the individual ceases to be an officer or employee of the Office for any period of time after becoming an officer or employee of the Office pursuant to subsection (h) and before separation.

“(ii) The Government contributions authorized by section 8906 for health benefits for anyone participating in the health benefits program pursuant to this subparagraph shall be made by the Office in the same manner as provided under section 8906(g)(2) of title 5 with respect to the United States Postal Service for individuals associated therewith.

“(iii) For purposes of this subparagraph, the term ‘annuitant’ has the meaning given such term by section 8901(3) of title 5.

“(C) The Office may supplement the benefits provided under the preceding provisions of this paragraph.

“(3) LIFE INSURANCE.—(A) The provisions of chapter 87 of title 5 shall apply to the Office and its officers and employees, subject to subparagraph (B).

“(B)(i) Eligibility for life insurance coverage after retirement or while in receipt of compensation under subchapter I of chapter 81 of title 5 shall be determined, in the case of any individual who becomes an officer or employee of the Office pursuant to subsection (h), without regard to the requirements of section 8706(b) (1) or (2), but subject to the condition specified in the last sentence of paragraph (2)(B)(i) of this subsection.

“(ii) Government contributions under section 8708(d) on behalf of any such individual shall be made by the Office in the same manner as provided under paragraph (3) thereof with respect to the United States Postal Service for individuals associated therewith.

“(C) The Office may supplement the benefits provided under the preceding provisions of this paragraph.

“(4) EMPLOYEES’ COMPENSATION FUND.—(A) Officers and employees of the Office shall not become ineligible to participate in the program under chapter 81 of title 5, relating to compensation for work injuries, by reason of subsection (d).

“(B) The Office shall remain responsible for reimbursing the Employees’ Compensation Fund, pursuant to section 8147 of title 5, for compensation paid or payable after the effective date of the Patent and Trademark Office Government Corporation Act of 1996 in accordance with chapter 81 of title 5 with regard to any injury, disability, or death due to events arising before such date, whether or not a claim has been filed or is final on such date.

“(g) LABOR-MANAGEMENT RELATIONS.—

“(1) LABOR RELATIONS AND EMPLOYEE RELATIONS PROGRAMS.—The Office shall develop labor relations and employee relations programs with the objective of improving productivity and efficiency, incorporating the following principles:

“(A) Such programs shall be consistent with the merit principles in section 2301(b) of title 5.

“(B) Such programs shall provide veterans preference protections equivalent to those established by sections 2108, 3308–3318, and 3320 of title 5.

“(C)(i) The right to work shall not be subject to undue restraint or coercion. The right to work shall not be infringed or restricted in any way based on membership in, affiliation with, or financial support of a labor organization.

“(ii) No person shall be required, as a condition of employment or continuation of employment—

“(I) to resign or refrain from voluntary membership in, voluntary affiliation with, or voluntary financial support of a labor organization;

“(II) to become or remain a member of a labor organization;

“(III) to pay any dues, fees, assessments, or other charges of any kind or amount to a labor organization;

“(IV) to pay to any charity or other third party, in lieu of such payments, any amount equivalent to or a pro-rata portion of dues, fees, assessments, or other charges regularly required of members of a labor organization; or

“(V) to be recommended, approved, referred, or cleared by or through a labor organization.

“(iii) This subparagraph shall not apply to a person described in section 7103(a)(2)(v) of title 5 or a ‘supervisor’, ‘management official’, or ‘confidential employee’ as those terms are defined in 7103(a)(10), (11), and (13) of such title.

“(iv) Any labor organization recognized by the Office as the exclusive representative of a unit of employees of the Office shall represent the interests of all employees in that unit without discrimination and without regard to labor organization membership.

“(2) ADOPTION OF EXISTING LABOR AGREEMENTS.—The Office shall adopt all labor agreements which are in effect, as of the day before the effective date of

the Patent and Trademark Office Government Corporation Act of 1996, with respect to such Office (as then in effect).

“(h) CARRYOVER OF PERSONNEL.—

“(1) FROM PTO.—Effective as of the effective date of the Patent and Trademark Office Government Corporation Act of 1996, all officers and employees of the Patent and Trademark Office on the day before such effective date shall become officers and employees of the Office, without a break in service.

“(2) OTHER PERSONNEL.—Any individual who, on the day before the effective date of the Patent and Trademark Office Government Corporation Act of 1996, is an officer or employee of the Department of Commerce (other than an officer or employee under paragraph (1)) shall be transferred to the Office if—

“(A) such individual serves in a position for which a major function is the performance of work reimbursed by the Patent and Trademark Office, as determined by the Secretary of Commerce;

“(B) such individual serves in a position that performed work in support of the Patent and Trademark Office during at least half of the incumbent’s work time, as determined by the Secretary of Commerce; or

“(C) such transfer would be in the interest of the Office, as determined by the Secretary of Commerce in consultation with the Commissioner of Patents and Trademarks.

Any transfer under this paragraph shall be effective as of the same effective date as referred to in paragraph (1), and shall be made without a break in service.

“(3) ACCUMULATED LEAVE.—The amount of sick and annual leave and compensatory time accumulated under title 5 before the effective date described in paragraph (1), by those becoming officers or employees of the Office pursuant to this subsection, are obligations of the Office.

“(4) TERMINATION RIGHTS.—Any employee referred to in paragraph (1) or (2) of this subsection whose employment with the Office is terminated during the 2-year period beginning on the effective date of the Patent and Trademark Office Government Corporation Act of 1996 shall be entitled to rights and benefits, to be afforded by the Office, similar to those such employee would have had under Federal law if termination had occurred immediately before such date. An employee who would have been entitled to appeal any such termination to the Merit Systems Protection Board, if such termination had occurred immediately before such effective date, may appeal any such termination occurring within this 2-year period to the Board under such procedures as it may prescribe.

“(5) CONTINUATION IN OFFICE OF CERTAIN OFFICERS.—(A) The individual serving as the Commissioner of Patents and Trademarks on the day before the effective date of the Patent and Trademark Office Government Corporation Act of 1996 may serve as the Commissioner until the date on which a Commissioner is appointed under subsection (a).

“(B) The individual serving as the Assistant Commissioner for Patents on the day before the effective date of the Patent and Trademark Office Government Corporation Act of 1996 may serve as the Deputy Commissioner for Patents until the date on which a Deputy Commissioner for Patents is appointed under subsection (b).

“(C) The individual serving as the Assistant Commissioner for Trademarks on the day before the effective date of the Patent and Trademark Office Government Corporation Act of 1996 may serve as the Deputy Commissioner for Trademarks until the date on which a Deputy Commissioner for Trademarks is appointed under subsection (b).

“(i) COMPETITIVE STATUS.—For purposes of appointment to a position in the competitive service for which an officer or employee of the Office is qualified, such officer or employee shall not forfeit any competitive status, acquired by such officer or employee before the effective date of the Patent and Trademark Office Government Corporation Act of 1996, by reason of becoming an officer or employee of the Office pursuant to subsection (h).

“(j) SAVINGS PROVISIONS.—

“(1) IN GENERAL.—Compensation, benefits, and other terms and conditions of employment in effect immediately before the effective date of the Patent and Trademark Office Government Corporation Act of 1996, whether provided by statute or by rules and regulations of the former Patent and Trademark Office or the executive branch of the Government of the United States, shall continue to apply to officers and employees of the Office, until changed in accordance with this section (whether by action of the Commissioner or otherwise).



“(2) PROVISIONS SPECIFIC TO BASIC PAY.—With respect to any individual who becomes an officer or employee of the Office pursuant to subsection (h), the rate of basic pay for such officer or employee may not, on or after the effective date of the Patent and Trademark Office Government Corporation Act of 1996, be less than the rate in effect immediately before such effective date, except—

“(A) pursuant to a collective-bargaining agreement entered into under this section; or

“(B) for inefficiency, neglect of duty, or misconduct, on the part of such individual.

For purposes of this subparagraph, the term ‘basic pay’ includes any amount considered to be part of basic pay for purposes of subchapter III of chapter 83 or chapter 84 of title 5.

“(k) REMOVAL OF QUASI-JUDICIAL EXAMINERS.—The Office may remove a patent examiner or examiner-in-chief, or a trademark examiner or member of a Trademark Trial and Appeal Board, only for such cause as will promote the efficiency of the Office.”.

#### SEC. 114. MANAGEMENT ADVISORY BOARD.

Chapter 1 of part I of title 35, United States Code, is amended by inserting after section 4 the following:

#### “§ 5. Patent and Trademark Office Management Advisory Board

“(a) ESTABLISHMENT OF MANAGEMENT ADVISORY BOARD.—

“(1) APPOINTMENT.—The United States Patent and Trademark Office shall have a Management Advisory Board (hereafter in this title referred to as the ‘Board’) of 12 members, 4 of whom shall be appointed by the President, 4 of whom shall be appointed by the Speaker of the House of Representatives, and 4 of whom shall be appointed by the President pro tempore of the Senate. Not more than 3 of the 4 members appointed by each appointing authority shall be members of the same political party.

“(2) TERMS.—Members of the Board shall be appointed for a term of 4 years each, except that of the members first appointed by each appointing authority, 1 shall be for a term of 1 year, 1 shall be for a term of 2 years, and 1 shall be for a term of 3 years. No member may serve more than 1 term.

“(3) CHAIR.—The President shall designate the chair of the Board, whose term as chair shall be for 3 years.

“(4) TIMING OF APPOINTMENTS.—Initial appointments to the Board shall be made within 3 months after the effective date of the Patent and Trademark Office Government Corporation Act of 1996, and vacancies shall be filled within 3 months after they occur.

“(5) VACANCIES.—Vacancies shall be filled in the manner in which the original appointment was made under this subsection. Members appointed to fill a vacancy occurring before the expiration of the term for which the member’s predecessor was appointed shall be appointed only for the remainder of that term. A member may serve after the expiration of that member’s term until a successor is appointed.

“(6) COMMITTEES.—The Chair shall designate members of the Board to serve on a committee on patent operations and on a committee on trademark operations to perform the duties set forth in subsection (e) as they relate specifically to the Office’s patent operations, and the Office’s trademark operations, respectively.

“(b) BASIS FOR APPOINTMENTS.—Members of the Board shall be citizens of the United States who shall be chosen so as to represent the interests of diverse users of the United States Patent and Trademark Office, and shall include individuals with substantial background and achievement in corporate finance and management.

“(c) APPLICABILITY OF CERTAIN ETHICS LAWS.—Members of the Board shall be special Government employees within the meaning of section 202 of title 18.

“(d) MEETINGS.—The Board shall meet at the call of the chair to consider an agenda set by the chair.

“(e) DUTIES.—The Board shall—

“(1) review the policies, goals, performance, budget, and user fees of the United States Patent and Trademark Office, and advise the Commissioner on these matters; and

“(2) within 60 days after the end of each fiscal year, prepare an annual report on the matters referred to in paragraph (1), transmit the report to the President and the Committees on the Judiciary of the Senate and the House of Represent-

atives, and publish the report in the Patent and Trademark Office Official Gazette.

“(f) COMPENSATION.—Members of the Board shall be compensated for each day (including travel time) during which they are attending meetings or conferences of the Board or otherwise engaged in the business of the Board, at the rate which is the daily equivalent of the annual rate of basic pay in effect for level III of the Executive Schedule under section 5314 of title 5, and while away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5.

“(g) ACCESS TO INFORMATION.—Members of the Board shall be provided access to records and information in the United States Patent and Trademark Office, except for personnel or other privileged information and information concerning patent applications required to be kept in confidence by section 122.”.

#### SEC. 115. CONFORMING AMENDMENTS.

(a) DUTIES OF COMMISSIONER.—Chapter 1 of title 35, United States Code, is amended by striking section 6.

(b) REGULATIONS FOR AGENTS AND ATTORNEYS.—Section 31 of title 35, United States Code, and the item relating to such section in the table of sections for chapter 3 of title 35, United States Code, are repealed.

#### SEC. 116. TRADEMARK TRIAL AND APPEAL BOARD.

Section 17 of the Act of July 5, 1946 (commonly referred to as the “Trademark Act of 1946”) (15 U.S.C. 1067) is amended to read as follows:

“SEC. 17. (a) In every case of interference, opposition to registration, application to register as a lawful concurrent user, or application to cancel the registration of a mark, the Commissioner shall give notice to all parties and shall direct a Trademark Trial and Appeal Board to determine and decide the respective rights of registration.

“(b) The Trademark Trial and Appeal Board shall include the Commissioner, the Deputy Commissioner for Patents, the Deputy Commissioner for Trademarks, and members competent in trademark law who are appointed by the Commissioner.”.

#### SEC. 117. BOARD OF PATENT APPEALS AND INTERFERENCES.

Chapter 1 of title 35, United States Code, is amended by striking section 7 and inserting after section 5 the following:

##### “§ 6. Board of Patent Appeals and Interferences

“(a) ESTABLISHMENT AND COMPOSITION.—There shall be in the United States Patent and Trademark Office a Board of Patent Appeals and Interferences. The Commissioner, the Deputy Commissioner for Patents, the Deputy Commissioner for Trademarks, and the examiners-in-chief shall constitute the Board. The examiners-in-chief shall be persons of competent legal knowledge and scientific ability.

“(b) DUTIES.—The Board of Patent Appeals and Interferences shall, on written appeal of an applicant, review adverse decisions of examiners upon applications for patents and shall determine priority and patentability of invention in interferences declared under section 135(a). Each appeal and interference shall be heard by at least 3 members of the Board, who shall be designated by the Commissioner. Only the Board of Patent Appeals and Interferences may grant rehearings.”.

#### SEC. 118. SUITS BY AND AGAINST THE OFFICE.

Chapter 1 of part I of title 35, United States Code, is amended by inserting after section 6 the following new section:

##### “§ 7. Suits by and against the Office

“(a) IN GENERAL.—

“(1) ACTIONS UNDER UNITED STATES LAW.—Any civil action or proceeding to which the United States Patent and Trademark Office is a party is deemed to arise under the laws of the United States. The Federal courts shall have exclusive jurisdiction over all civil actions by or against the Office.

“(2) CONTRACT CLAIMS.—Any action or proceeding against the Office in which any claim is cognizable under the Contract Disputes Act of 1978 (41 U.S.C. 601 and following) shall be subject to that Act. For purposes of that Act, the Commissioner shall be deemed to be the agency head with respect to contract claims arising with respect to the Office. Any other action or proceeding against the Office founded upon contract may be brought in an appropriate district court, notwithstanding any provision of title 28.

“(3) TORT CLAIMS.—(A) Any action or proceeding against the Office in which any claim is cognizable under the provisions of section 1346(b) and chapter 171 of title 28, shall be governed by those provisions.

“(B) Any other action or proceeding against the Office founded upon tort may be brought in an appropriate district court without regard to the provisions of section 1346(b) and chapter 171 of title 28.

“(4) PROHIBITION ON ATTACHMENT, LIENS, ETC.—No attachment, garnishment, lien, or similar process, intermediate or final, in law or equity, may be issued against property of the Office.

“(5) SUBSTITUTION OF OFFICE AS PARTY.—The Office shall be substituted as defendant in any civil action or proceeding against an officer or employee of the Office, if the Office determines that the officer or employee was acting within the scope of his or her employment with the Office. If the Office refuses to certify scope of employment, the officer or employee may at any time before trial petition the court to find and certify that the officer or employee was acting within the scope of his or her employment. Upon certification by the court, the Office shall be substituted as the party defendant. A copy of the petition shall be served upon the Office. In any such civil action or proceeding to which paragraph (3)(A) applies, the provisions of section 1346(b) and chapter 171 of title 28 shall apply in lieu of this paragraph.

“(b) RELATIONSHIP WITH JUSTICE DEPARTMENT.—

“(1) EXERCISE BY OFFICE OF ATTORNEY GENERAL’S AUTHORITIES.—Except as provided in this section, with respect to any action or proceeding in which the Office is a party or an officer or employee thereof is a party in his or her official capacity, the Office, officer, or employee may exercise, without prior authorization from the Attorney General, the authorities and duties that otherwise would be exercised by the Attorney General on behalf of the Office, officer, or employee under title 28 or other laws.

“(2) APPEARANCES BY ATTORNEY GENERAL.—Notwithstanding paragraph (1), at any time the Attorney General may, in any action or proceeding described in paragraph (1), file an appearance on behalf of the Office or the officer or employee involved, without the consent of the Office or the officer or employee. Upon such filing, the Attorney General shall represent the Office or such officer or employee with exclusive authority in the conduct, settlement, or compromise of that action or proceeding.

“(3) CONSULTATIONS WITH AND ASSISTANCE BY ATTORNEY GENERAL.—The Office may consult with the Attorney General concerning any legal matter, and the Attorney General shall provide advice and assistance to the Office, including representing the Office in litigation, if requested by the Office.

“(4) REPRESENTATION BEFORE SUPREME COURT.—The Attorney General shall represent the Office in all cases before the United States Supreme Court.

“(5) QUALIFICATIONS OF ATTORNEYS.—An attorney admitted to practice to the bar of the highest court of at least one State in the United States or the District of Columbia and employed by the Office may represent the Office in any legal proceeding in which the Office or an officer or employee of the Office is a party or interested, regardless of whether the attorney is a resident of the jurisdiction in which the proceeding is held and notwithstanding any other prerequisites of qualification or appearance required by the court or administrative body before which the proceeding is conducted.”.

#### SEC. 119. ANNUAL REPORT OF COMMISSIONER.

Section 14 of title 35, United States Code, is amended to read as follows:

##### “§ 14. Annual report to Congress

“The Commissioner shall report to the Congress, not later than 180 days after the end of each fiscal year, the moneys received and expended by the Office, the purposes for which the moneys were spent, the quality and quantity of the work of the Office, and other information relating to the Office. The report under this section shall also meet the requirements of section 9106 of title 31, to the extent that such requirements are not inconsistent with the preceding sentence. The report required under this section shall be deemed to be the report of the United States Patent and Trademark Office under section 9106 of title 31, and the Commissioner shall not file a separate report under such section.”.

#### SEC. 120. SUSPENSION OR EXCLUSION FROM PRACTICE.

Section 32 of title 35, United States Code, is amended by inserting before the last sentence the following: “The Commissioner shall have the discretion to designate any attorney who is an officer or employee of the United States Patent and Trademark Office to conduct the hearing required by this section.”.

#### SEC. 121. FUNDING.

Section 42 of title 35, United States Code, is amended to read as follows:

**“§ 42. Patent and Trademark Office funding**

“(a) FEES PAYABLE TO THE OFFICE.—All fees for services performed by or materials furnished by the United States Patent and Trademark Office shall be payable to the Office.

“(b) USE OF MONEYS.—Moneys from fees shall be available to the United States Patent and Trademark Office to carry out, to the extent provided in appropriations Acts, the functions of the Office. Moneys of the Office not otherwise used to carry out the functions of the Office shall be kept in cash on hand or on deposit, or invested in obligations of the United States or guaranteed by the United States, or in obligations or other instruments which are lawful investments for fiduciary, trust, or public funds. Fees available to the Office under this title shall be used for the processing of patent applications and for other services and materials relating to patents. Fees available to the Office under section 31 of the Act of July 5, 1946 (commonly referred to as the ‘Trademark Act of 1946’; 15 U.S.C. 1113), shall be used for the processing of trademark registrations and for other services and materials relating to trademarks.

“(c) BORROWING AUTHORITY.—The United States Patent and Trademark Office is authorized to issue from time to time for purchase by the Secretary of the Treasury its debentures, bonds, notes, and other evidences of indebtedness (hereafter in this subsection referred to as ‘obligations’) to assist in financing its activities. Borrowing under this subsection shall be subject to prior approval in appropriations Acts. Such borrowing shall not exceed amounts approved in appropriations Acts. Any borrowing under this subsection shall be repaid only from fees paid to the Office and surcharges appropriated by the Congress. Such obligations shall be redeemable at the option of the Office before maturity in the manner stipulated in such obligations and shall have such maturity as is determined by the Office with the approval of the Secretary of the Treasury. Each such obligation issued to the Treasury shall bear interest at a rate not less than the current yield on outstanding marketable obligations of the United States of comparable maturity during the month preceding the issuance of the obligation as determined by the Secretary of the Treasury. The Secretary of the Treasury shall purchase any obligations of the Office issued under this subsection and for such purpose the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds of any securities issued under chapter 31 of title 31, and the purposes for which securities may be issued under that chapter are extended to include such purpose. Payment under this subsection of the purchase price of such obligations of the United States Patent and Trademark Office shall be treated as public debt transactions of the United States.”.

**SEC. 122. AUDITS.**

Chapter 4 of part I of title 35, United States Code, is amended by adding at the end the following new section:

**“§ 43. Audits**

“(a) IN GENERAL.—Financial statements of the United States Patent and Trademark Office shall be prepared on an annual basis in accordance with generally accepted accounting principles. Such statements shall be audited by an independent certified public accountant chosen by the Commissioner. The audit shall be conducted in accordance with standards that are consistent with generally accepted Government auditing standards and other standards established by the Comptroller General, and with the generally accepted auditing standards of the private sector, to the extent feasible. The Commissioner shall transmit to the Committees on the Judiciary of the House of Representatives and the Senate the results of each audit under this subsection.

“(b) REVIEW BY COMPTROLLER GENERAL.—The Comptroller General may review any audit of the financial statement of the Patent and Trademark Office that is conducted under subsection (a). The Comptroller General shall report to the Congress and the Office the results of any such review and shall include in such report appropriate recommendations.

“(c) AUDIT BY COMPTROLLER GENERAL.—The Comptroller General may audit the financial statements of the Office and such audit shall be in lieu of the audit required by subsection (a). The Office shall reimburse the Comptroller General for the cost of any audit conducted under this subsection.

“(d) ACCESS TO OFFICE RECORDS.—All books, financial records, report files, memoranda, and other property that the Comptroller General deems necessary for the performance of any audit shall be made available to the Comptroller General.

“(e) APPLICABILITY IN LIEU OF TITLE 31 PROVISIONS.—This section applies to the Office in lieu of the provisions of section 9105 of title 31.”.

**SEC. 123. TRANSFERS.**

(a) **TRANSFER OF FUNCTIONS.**—Except as otherwise provided in this title, there are transferred to, and vested in, the United States Patent and Trademark Office all functions, powers, and duties vested by law in the Secretary of Commerce or the Department of Commerce or in the officers or components in the Department of Commerce with respect to the authority to grant patents and register trademarks, and in the Patent and Trademark Office, as in effect on the day before the effective date of this title, and in the officers and components of such Office.

(b) **TRANSFER OF FUNDS AND PROPERTY.**—The Secretary of Commerce shall transfer to the United States Patent and Trademark Office, on the effective date of this title, so much of the assets, liabilities, contracts, property, records, and unexpended and unobligated balances of appropriations, authorizations, allocations, and other funds employed, held, used, arising from, available to, or to be made available to the Department of Commerce, including funds set aside for accounts receivable which are related to functions, powers, and duties which are vested in the Patent and Trademark Office by this title.

## **Subtitle B—Effective Date; Technical Amendments**

**SEC. 131. EFFECTIVE DATE.**

This title and the amendments made by this title shall take effect 4 months after the date of the enactment of this Act.

**SEC. 132. TECHNICAL AND CONFORMING AMENDMENTS.****(a) AMENDMENTS TO TITLE 35.—**

(1) The item relating to part I in the table of parts for chapter 35, United States Code, is amended to read as follows:

“**I. United States Patent and Trademark Office** ..... 1”.

(2) The heading for part I of title 35, United States Code, is amended to read as follows:

### **“PART I—UNITED STATES PATENT AND TRADEMARK OFFICE”.**

(3) The table of chapters for part I of title 35, United States Code, is amended by amending the item relating to chapter 1 to read as follows:

“**1. Establishment, Officers and Employees, Functions** ..... 1”.

(4) The table of sections for chapter 1 of title 35, United States Code, is amended to read as follows:

#### **“CHAPTER 1—ESTABLISHMENT, OFFICERS AND EMPLOYEES, FUNCTIONS**

“Sec.

- “1. Establishment.
- “2. Powers and duties.
- “3. Officers and employees.
- “4. Restrictions on officers and employees as to interest in patents.
- “5. Patent and Trademark Office Management Advisory Board.
- “6. Board of Patent Appeals and Interferences.
- “7. Suits by and against the Office.
- “8. Library.
- “9. Classification of patents.
- “10. Certified copies of records.
- “11. Publications.
- “12. Exchange of copies of patents with foreign countries.
- “13. Copies of patents for public libraries.
- “14. Annual report to Congress.”.

(5) The table of sections for chapter 4 of part I of title 35, United States Code, is amended by adding at the end the following new item:

“43. Audits.”.

**(b) OTHER PROVISIONS OF LAW.—**

(1) Section 9101(3) of title 31, United States Code, is amended by adding at the end the following:

“(R) the United States Patent and Trademark Office.”.

(2) Section 500(e) of title 5, United States Code, is amended by striking “Patent Office” and inserting “United States Patent and Trademark Office”.

(3) Section 5102(c)(23) of title 5, United States Code, is amended by striking “Patent and Trademark Office, Department of Commerce” and inserting “United States Patent and Trademark Office”.

(4) Section 5316 of title 5, United States Code (5 U.S.C. 5316) is amended by striking “Commissioner of Patents, Department of Commerce,” “Deputy Commissioner of Patents and Trademarks,” “Assistant Commissioner for Patents,” and “Assistant Commissioner for Trademarks.”

(5) Section 12 of the Act of February 14, 1903 (15 U.S.C. 1511) is amended by striking “(d) Patent and Trademark Office;” and redesignating subsections (a) through (g) as paragraphs (1) through (6), respectively.

(6) The Act of April 12, 1892 (27 Stat. 395; 20 U.S.C. 91) is amended by striking “Patent Office” and inserting “United States Patent and Trademark Office”.

(7) Sections 505(m) and 512(o) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355(m) and 360b(o)) are each amended by striking “Patent and Trademark Office of the Department of Commerce” and inserting “United States Patent and Trademark Office”.

(8) Section 105(e) of the Federal Alcohol Administration Act (27 U.S.C. 205(e)) is amended by striking “United States Patent Office” and inserting “United States Patent and Trademark Office”.

(9) Section 1744 of title 28, United States Code is amended—

(A) by striking “Patent Office” each place it appears in the text and section heading and inserting “United States Patent and Trademark Office”; and

(B) by striking “Commissioner of Patents” and inserting “Commissioner of Patents and Trademarks”.

(10) Section 1745 of title 28, United States Code, is amended by striking “United States Patent Office” and inserting “United States Patent and Trademark Office”.

(11) Section 1928 of title 28, United States Code, is amended by striking “Patent Office” and inserting “United States Patent and Trademark Office”.

(12) Section 160 of the Atomic Energy Act of 1954 (42 U.S.C. 2190) is amended—

(A) by striking “United States Patent Office” and inserting “United States Patent and Trademark Office”; and

(B) by striking “Commissioner of Patents” and inserting “Commissioner of Patents and Trademarks”.

(13) Section 305(c) of the National Aeronautics and Space Act of 1958 (42 U.S.C. 2457(c)) is amended by striking “Commissioner of Patents” and inserting “Commissioner of Patents and Trademarks”.

(14) Section 12(a) of the Solar Heating and Cooling Demonstration Act of 1974 (42 U.S.C. 5510(a)) is amended by striking “Commissioner of the Patent Office” and inserting “Commissioner of Patents and Trademarks”.

(15) Section 1111 of title 44, United States Code, is amended by striking “the Commissioner of Patents,”.

(16) Section 1114 of title 44, United States Code, is amended by striking “the Commissioner of Patents,”.

(17) Section 1123 of title 44, United States Code, is amended by striking “the Patent Office,”.

(18) Sections 1337 and 1338 of title 44, United States Code, and the items relating to those sections in the table of contents for chapter 13 of such title, are repealed.

(19) Section 10(i) of the Trading With the Enemy Act (50 U.S.C. App. 10(i)) is amended by striking “Commissioner of Patents” and inserting “Commissioner of Patents and Trademarks”.

(20) Section 8G(a)(2) of the Inspector General Act of 1978 (5 U.S.C. App.) is amended by inserting “the United States Patent and Trademark Office,” after “the United States International Trade Commission,”.

## Subtitle C—Miscellaneous Provisions

### SEC. 141. REFERENCES.

Any reference in any other Federal law, Executive order, rule, regulation, or delegation of authority, or any document of or pertaining to a department or office from which a function is transferred by this title—

- (1) to the head of such department or office is deemed to refer to the head of the department or office to which such function is transferred; or
- (2) to such department or office is deemed to refer to the department or office to which such function is transferred.

**SEC. 142. EXERCISE OF AUTHORITIES.**

Except as otherwise provided by law, a Federal official to whom a function is transferred by this title may, for purposes of performing the function, exercise all authorities under any other provision of law that were available with respect to the performance of that function to the official responsible for the performance of the function immediately before the effective date of the transfer of the function under this title.

**SEC. 143. SAVINGS PROVISIONS.**

(a) **LEGAL DOCUMENTS.**—All orders, determinations, rules, regulations, permits, grants, loans, contracts, agreements, certificates, licenses, and privileges—

(1) that have been issued, made, granted, or allowed to become effective by the President, the Secretary of Commerce, any officer or employee of any office transferred by this title, or any other Government official, or by a court of competent jurisdiction, in the performance of any function that is transferred by this title, and

(2) that are in effect on the effective date of such transfer (or become effective after such date pursuant to their terms as in effect on such effective date), shall continue in effect according to their terms until modified, terminated, superseded, set aside, or revoked in accordance with law by the President, any other authorized official, a court of competent jurisdiction, or operation of law.

(b) **PROCEEDINGS.**—This title shall not affect any proceedings or any application for any benefits, service, license, permit, certificate, or financial assistance pending on the effective date of this title before an office transferred by this title, but such proceedings and applications shall be continued. Orders shall be issued in such proceedings, appeals shall be taken therefrom, and payments shall be made pursuant to such orders, as if this title had not been enacted, and orders issued in any such proceeding shall continue in effect until modified, terminated, superseded, or revoked by a duly authorized official, by a court of competent jurisdiction, or by operation of law. Nothing in this subsection shall be considered to prohibit the discontinuance or modification of any such proceeding under the same terms and conditions and to the same extent that such proceeding could have been discontinued or modified if this title had not been enacted.

(c) **SUITS.**—This title shall not affect suits commenced before the effective date of this title, and in all such suits, proceedings shall be had, appeals taken, and judgments rendered in the same manner and with the same effect as if this title had not been enacted.

(d) **NONABATEMENT OF ACTIONS.**—No suit, action, or other proceeding commenced by or against the Department of Commerce or the Secretary of Commerce, or by or against any individual in the official capacity of such individual as an officer or employee of an office transferred by this title, shall abate by reason of the enactment of this title.

(e) **CONTINUANCE OF SUITS.**—If any Government officer in the official capacity of such officer is party to a suit with respect to a function of the officer, and under this title such function is transferred to any other officer or office, then such suit shall be continued with the other officer or the head of such other office, as applicable, substituted or added as a party.

(f) **ADMINISTRATIVE PROCEDURE AND JUDICIAL REVIEW.**—Except as otherwise provided by this title, any statutory requirements relating to notice, hearings, action upon the record, or administrative or judicial review that apply to any function transferred by this title shall apply to the exercise of such function by the head of the Federal agency, and other officers of the agency, to which such function is transferred by this title.

**SEC. 144. TRANSFER OF ASSETS.**

Except as otherwise provided in this title, so much of the personnel, property, records, and unexpended balances of appropriations, allocations, and other funds employed, used, held, available, or to be made available in connection with a function transferred to an official or agency by this title shall be available to the official or the head of that agency, respectively, at such time or times as the Director of the Office of Management and Budget directs for use in connection with the functions transferred.

**SEC. 145. DELEGATION AND ASSIGNMENT.**

Except as otherwise expressly prohibited by law or otherwise provided in this title, an official to whom functions are transferred under this title (including the head of any office to which functions are transferred under this title) may delegate any of the functions so transferred to such officers and employees of the office of the official as the official may designate, and may authorize successive redelegations of such functions as may be necessary or appropriate. No delegation of functions under this section or under any other provision of this title shall relieve the official to whom a function is transferred under this title of responsibility for the administration of the function.

**SEC. 146. AUTHORITY OF DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET WITH RESPECT TO FUNCTIONS TRANSFERRED.**

(a) DETERMINATIONS.—If necessary, the Director of the Office of Management and Budget shall make any determination of the functions that are transferred under this title.

(b) INCIDENTAL TRANSFERS.—The Director of the Office of Management and Budget, at such time or times as the Director shall provide, may make such determinations as may be necessary with regard to the functions transferred by this title, and to make such additional incidental dispositions of personnel, assets, liabilities, grants, contracts, property, records, and unexpended balances of appropriations, authorizations, allocations, and other funds held, used, arising from, available to, or to be made available in connection with such functions, as may be necessary to carry out the provisions of this title. The Director shall provide for the termination of the affairs of all entities terminated by this title and for such further measures and dispositions as may be necessary to effectuate the purposes of this title.

**SEC. 147. CERTAIN VESTING OF FUNCTIONS CONSIDERED TRANSFERS.**

For purposes of this title, the vesting of a function in a department or office pursuant to reestablishment of an office shall be considered to be the transfer of the function.

**SEC. 148. AVAILABILITY OF EXISTING FUNDS.**

Existing appropriations and funds available for the performance of functions, programs, and activities terminated pursuant to this title shall remain available, for the duration of their period of availability, for necessary expenses in connection with the termination and resolution of such functions, programs, and activities.

**SEC. 149. DEFINITIONS.**

For purposes of this title—

- (1) the term “function” includes any duty, obligation, power, authority, responsibility, right, privilege, activity, or program; and
- (2) the term “office” includes any office, administration, agency, bureau, institute, council, unit, organizational entity, or component thereof.

## **TITLE II—EARLY PUBLICATION OF PATENT APPLICATIONS**

**SEC. 201. SHORT TITLE.**

This title may be cited as the “Patent Application Publication Act of 1996”.

**SEC. 202. EARLY PUBLICATION.**

Section 122 of title 35, United States Code, is amended to read as follows:

**“§ 122. Confidential status of applications; publication of patent applications**

“(a) CONFIDENTIALITY.—Except as provided in subsection (b), applications for patents shall be kept in confidence by the Patent and Trademark Office and no information concerning the same given without authority of the applicant or owner unless necessary to carry out the provisions of an Act of Congress or in such special circumstances as may be determined by the Commissioner.

“(b) PUBLICATION.—

“(1) IN GENERAL.—(A) Subject to paragraph (2), each application for patent, except applications for design patents filed under chapter 16 of this title and provisional applications filed under section 111(b) of this title, shall be published, in accordance with procedures determined by the Commissioner, as soon as possible after the expiration of a period of 18 months from the earliest filing date for which a benefit is sought under this title. At the request of the appli-



cant, an application may be published earlier than the end of such 18-month period.

“(B) No information concerning published patent applications shall be made available to the public except as the Commissioner determines.

“(C) Notwithstanding any other provision of law, a determination by the Commissioner to release or not to release information concerning a published patent application shall be final and nonreviewable.

“(2) EXCEPTIONS.—(A) An application that is no longer pending shall not be published.

“(B) An application that is subject to a secrecy order pursuant to section 181 of this title shall not be published.

“(C)(i) Upon the request of the applicant at the time of filing, the application shall not be published in accordance with paragraph (1) until 3 months after the Commissioner makes a notification to the applicant under section 132 of this title.

“(ii) Applications filed pursuant to section 363 of this title, applications asserting priority under section 119 or 365(a) of this title, and applications asserting the benefit of an earlier application under section 120, 121, or 365(c) of this title shall not be eligible for a request pursuant to this subparagraph.

“(iii) In a request under this subparagraph, the applicant shall certify that the invention disclosed in the application was not and will not be the subject of an application filed in a foreign country.

“(iv) A request under this subparagraph shall only be available to an applicant who has been accorded the status of independent inventor under section 41(h) of this title.

“(v) The Commissioner may establish appropriate procedures and fees for making a request under this subparagraph.

“(c) PRE-ISSUANCE OPPOSITION.—The provisions of this section shall not operate to create any new opportunity for pre-issuance opposition. The Commissioner may establish appropriate procedures to ensure that this section does not create any new opportunity for pre-issuance opposition.”

#### SEC. 203. TIME FOR CLAIMING BENEFIT OF EARLIER FILING DATE.

(a) IN A FOREIGN COUNTRY.—Section 119(b) of title 35, United States Code, is amended to read as follows:

“(b)(1) No application for patent shall be entitled to this right of priority unless a claim, identifying the foreign application by specifying its application number, country, and the day, month, and year of its filing, is filed in the Patent and Trademark Office at such time during the pendency of the application as required by the Commissioner.

“(2) The Commissioner may consider the failure of the applicant to file a timely claim for priority as a waiver of any such claim, and may require the payment of a surcharge as a condition of accepting an untimely claim during the pendency of the application.

“(3) The Commissioner may require a certified copy of the original foreign application, specification, and drawings upon which it is based, a translation if not in the English language, and such other information as the Commissioner considers necessary. Any such certification shall be made by the patent office of the foreign country in which the foreign application was filed and show the date of the application and of the filing of the specification and other papers.”

(b) IN THE UNITED STATES.—Section 120 of title 35, United States Code, is amended by adding at the end the following: “The Commissioner may determine the time period during the pendency of the application within which an amendment containing the specific reference to the earlier filed application is submitted. The Commissioner may consider the failure to submit such an amendment within that time period as a waiver of any benefit under this section. The Commissioner may establish procedures, including the payment of a surcharge, to accept unavoidably late submissions of amendments under this section.”

#### SEC. 204. PROVISIONAL RIGHTS.

Section 154 of title 35, United States Code, is amended—

(1) in the section caption by inserting “; **provisional rights**” after “**patent**”; and

(2) by adding at the end the following new subsection:

“(d) PROVISIONAL RIGHTS.—

“(1) IN GENERAL.—In addition to other rights provided by this section, a patent shall include the right to obtain a reasonable royalty from any person who, during the period beginning on the date of publication of the application for such patent pursuant to section 122(b) of this title, or in the case of an inter-

national application designating the United States, the date of international publication of the application, and ending on the date the patent is issued—

“(A)(i) makes, uses, offers for sale, or sells in the United States the invention as claimed in the published patent application or imports such an invention into the United States; or

“(ii) if the invention as claimed in the published patent application is a process, uses, offers for sale, or sells in the United States or imports into the United States products made by that process as claimed in the published patent application; and

“(B) had actual notice of the published patent application and where the right arising under this paragraph is based upon an international application designating the United States that is published in a language other than English, a translation of the international application into the English language.

“(2) RIGHT BASED ON SUBSTANTIALLY IDENTICAL INVENTIONS.—The right under paragraph (1) to obtain a reasonable royalty shall not be available under this subsection unless the invention as claimed in the patent is substantially identical to the invention as claimed in the published patent application.

“(3) TIME LIMITATION ON OBTAINING A REASONABLE ROYALTY.—The right under paragraph (1) to obtain a reasonable royalty shall be available only in an action brought not later than 6 years after the patent is issued. The right under paragraph (1) to obtain a reasonable royalty shall not be affected by the duration of the period described in paragraph (1).

“(4) REQUIREMENTS FOR INTERNATIONAL APPLICATIONS.—The right under paragraph (1) to obtain a reasonable royalty based upon the publication under the treaty of an international application designating the United States shall commence from the date that the Patent and Trademark Office receives a copy of the publication under the treaty of the international application, or, if the publication under the treaty of the international application is in a language other than English, from the date that the Patent and Trademark Office receives a translation of the international application in the English language. The Commissioner may require the applicant to provide a copy of the international publication of the international application and a translation thereof.”.

#### SEC. 205. PRIOR ART EFFECT OF PUBLISHED APPLICATIONS.

Section 102(e) of title 35, United States Code, is amended to read as follows:

“(e) the invention was described in—

“(1) an application for patent, published pursuant to section 122(b) of this title, by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351(a) of this title shall have the effect under this subsection of a national application published under section 122(b) of this title only if the international application designating the United States was published under Article 21(2)(a) of such treaty in the English language, or

“(2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that a patent granted on an international application filed under the treaty defined in section 351(a) of this title shall have the effect under this subsection of a patent granted on a national application only if the international application was published under Article 21(2)(a) of such treaty in the English language, or”.

#### SEC. 206. COST RECOVERY FOR PUBLICATION.

The Commissioner shall recover the cost of early publication required by the amendment made by section 202 by adjusting the filing, issue, and maintenance fees under title 35, United States Code, by charging a separate publication fee, or by any combination of these methods.

#### SEC. 207. CONFORMING CHANGES.

The following provisions of title 35, United States Code, are amended:

(1) Section 11 is amended in paragraph 1 of subsection (a) by inserting “and published applications for patents” after “Patents”.

(2) Section 12 is amended—

(A) in the section caption by inserting “**and applications**” after “**patents**”; and

(B) by inserting “and published applications for patents” after “patents”.

(3) Section 13 is amended—

(A) in the section caption by inserting “**and applications**” after “**patents**”; and

(B) by inserting “and published applications for patents” after “patents”.

(4) The items relating to sections 12 and 13 in the table of sections for chapter 1 are each amended by inserting “and applications” after “patents”.

(5) The item relating to section 122 in the table of sections for chapter 11 is amended by inserting “; publication of patent applications” after “applications”.

(6) The item relating to section 154 in the table of sections for chapter 14 is amended by inserting “; provisional rights” after “patent”.

(7) Section 181 is amended—

(A) in the first paragraph—

(i) by inserting “by the publication of an application or” after “disclosure”; and

(ii) by inserting “the publication of the application or” after “withhold”;

(B) in the second paragraph by inserting “by the publication of an application or” after “disclosure of an invention”;

(C) in the third paragraph—

(i) by inserting “by the publication of the application or” after “disclosure of the invention”; and

(ii) by inserting “the publication of the application or” after “withhold”; and

(D) in the fourth paragraph by inserting “the publication of an application or” after “and” in the first sentence.

(8) Section 252 is amended in the first paragraph by inserting “substantially” before “identical” each place it appears.

(9) Section 284 is amended by adding at the end of the second paragraph the following: “Increased damages under this paragraph shall not apply to provisional rights under section 154(d) of this title.”

(10) Section 374 is amended to read as follows:

**“§ 374. Publication of international application: Effect**

“The publication under the treaty, defined in section 351(a) of this title, of an international application designating the United States shall confer the same rights and shall have the same effect under this title as an application for patent published under section 122(b), except as provided in sections 102(e) and 154(d) of this title.”

**SEC. 208. PATENT TERM EXTENSION AUTHORITY.**

Section 154(b) of title 35, United States Code, is amended to read as follows:

“(b) TERM EXTENSION.—

“(1) BASIS FOR PATENT TERM EXTENSION.—

“(A) DELAY.—Subject to the limitations set forth in paragraph (2), if the issue of an original patent is delayed due to—

“(i) a proceeding under section 135(a) of this title,

“(ii) the imposition of an order pursuant to section 181 of this title,

“(iii) appellate review by the Board of Patent Appeals and Interferences or by a Federal court where the patent was issued pursuant to a decision in the review reversing an adverse determination of patentability, or

“(iv) an unusual administrative delay by the Patent and Trademark Office in issuing the patent,

the term of the patent shall be extended for the period of delay.

“(B) ADMINISTRATIVE DELAY.—For purposes of subparagraph (A)(iv), an unusual administrative delay by the Patent and Trademark office is the failure to—

“(i) make a notification of the rejection of any claim for a patent or any objection or argument under section 132 of this title or give or mail a written notice of allowance under section 151 of this title not later than 14 months after the date on which the application was filed;

“(ii) respond to a reply under section 132 of this title or to an appeal taken under section 134 of this title not later than 4 months after the date on which the reply was filed or the appeal was taken;

“(iii) act on an application not later than 4 months after the date of a decision by the Board of Patent Appeals and Interferences under section 134 or 135 of this title or a decision by a Federal court under section 141, 145, or 146 of this title where allowable claims remain in an application; or

“(iv) issue a patent not later than 4 months after the date on which the issue fee was paid under section 151 of this title and all outstanding requirements were satisfied.

“(2) LIMITATIONS.—(A) The total duration of any extensions granted pursuant to either clause (iii) or (iv) of paragraph (1)(A) or both such clauses shall not exceed 10 years. To the extent that periods of delay attributable to grounds specified in paragraph (1) overlap, the period of any extension granted under this subsection shall not exceed the actual number of days the issuance of the patent was delayed.

“(B) The period of extension of the term of a patent under this subsection shall be reduced by a period equal to the time in which the applicant failed to engage in reasonable efforts to conclude prosecution of the application. The Commissioner shall prescribe regulations establishing the circumstances that constitute a failure of an applicant to engage in reasonable efforts to conclude processing or examination of an application.

“(C) No patent the term of which has been disclaimed beyond a specified date may be extended under this section beyond the expiration date specified in the disclaimer.

“(3) PROCEDURES.—The Commissioner shall prescribe regulations establishing procedures for the notification of patent term extensions under this subsection and procedures for contesting patent term extensions under this subsection.”.

**SEC. 209. EXAMINING PROCEDURE IMPROVEMENTS; FURTHER LIMITED REEXAMINATION OF PATENT APPLICATIONS.**

The Commissioner of Patents and Trademarks shall prescribe regulations to provide for the further limited reexamination of applications for patent. The Commissioner may establish appropriate fees for such further limited reexamination and shall be authorized to provide a 50 percent reduction on such fees for small entities that qualify for reduced fees under section 41(h)(1) of title 35, United States Code.

**SEC. 210. LAST DAY OF PENDENCY OF PROVISIONAL APPLICATION.**

Section 119(e) of title 35, United States Code, is amended by adding at the end the following:

“(3) If the day that is 12 months after the filing date of a provisional application falls on a Saturday, Sunday, or legal holiday as defined in rule 6(a) of the Federal Rules of Civil Procedure, the period of pendency of the provisional application shall be extended to the next succeeding business day.”.

**SEC. 211. REPORTING REQUIREMENT.**

The Commissioner of Patents and Trademarks shall report to the Congress not later than April 1, 2000, and not later than April 1 of each year thereafter, regarding the impact of publication on the patent applications filed by an applicant who has been accorded the status of independent inventor under section 41(h) of title 35, United States Code. The report shall include information concerning the frequency and number of initial and continuing patent applications, pendency, interferences, reexaminations, rejection, abandonment rates, fees, other expenses, and other relevant information related to the prosecution of patent applications.

**SEC. 212. EFFECTIVE DATE.**

(a) SECTIONS 202 THROUGH 207.—Sections 202 through 207, and the amendments made by such sections, shall take effect on April 1, 1997, and shall apply to all applications filed under section 111 of title 35, United States Code, on or after that date, and all international applications designating the United States that are filed on or after that date.

(b) SECTIONS 208 THROUGH 210.—The amendments made by sections 208 through 210 shall take effect on the date of the enactment of this Act and, except for a design patent application filed under chapter 16 of title 35, United States Code, shall apply to any application filed on or after June 8, 1995.

## **TITLE III—PRIOR DOMESTIC COMMERCIAL USE**

**SEC. 301. SHORT TITLE.**

This title may be cited as the “Prior Domestic Commercial Use Act of 1996”.

**SEC. 302. DEFENSE TO PATENT INFRINGEMENT BASED ON PRIOR DOMESTIC COMMERCIAL USE.**

(a) DEFENSE.—Chapter 28 of title 35, United States Code, is amended by adding at the end the following new section:

**“§ 273. Prior domestic commercial use; defense to infringement**

“(a) DEFINITIONS.—For purposes of this section—

“(1) the terms ‘commercially used’, ‘commercially use’, and ‘commercial use’ mean the use in the United States in commerce or the use in the design, testing, or production in the United States of a product or service which is used in commerce, whether or not the subject matter at issue is accessible to or otherwise known to the public;

“(2) the terms ‘used in commerce’, and ‘use in commerce’ mean that there has been an actual sale or other commercial transfer of the subject matter at issue or that there has been an actual sale or other commercial transfer of a product or service resulting from the use of the subject matter at issue; and

“(3) the ‘effective filing date’ of a patent is the earlier of the actual filing date of the application for the patent or the filing date of any earlier United States, foreign, or international application to which the subject matter at issue is entitled under section 119, 120, or 365 of this title.

“(b) DEFENSE TO INFRINGEMENT.—(1) A person shall not be liable as an infringer under section 271 of this title with respect to any subject matter that would otherwise infringe one or more claims in the patent being asserted against such person, if such person had, acting in good faith, commercially used the subject matter before the effective filing date of such patent.

“(2) The sale or other disposition of the subject matter of a patent by a person entitled to assert a defense under this section with respect to that subject matter shall exhaust the patent owner’s rights under the patent to the extent such rights would have been exhausted had such sale or other disposition been made by the patent owner.

“(c) LIMITATIONS AND QUALIFICATIONS OF DEFENSE.—The defense to infringement under this section is subject to the following:

“(1) DERIVATION.—A person may not assert the defense under this section if the subject matter on which the defense is based was derived from the patentee or persons in privity with the patentee.

“(2) NOT A GENERAL LICENSE.—The defense asserted by a person under this section is not a general license under all claims of the patent at issue, but extends only to the subject matter claimed in the patent with respect to which the person can assert a defense under this chapter, except that the defense shall also extend to variations in the quantity or volume of use of the claimed subject matter, and to improvements in the claimed subject matter that do not infringe additional specifically claimed subject matter of the patent.

“(3) EFFECTIVE AND SERIOUS PREPARATION.—With respect to subject matter that cannot be commercialized without a significant investment of time, money, and effort, a person shall be deemed to have commercially used the subject matter if—

“(A) before the effective filing date of the patent, the person reduced the subject matter to practice in the United States, completed a significant portion of the total investment necessary to commercially use the subject matter, and made a commercial transaction in the United States in connection with the preparation to use the subject matter; and

“(B) thereafter the person diligently completed the remainder of the activities and investments necessary to commercially use the subject matter, and promptly began commercial use of the subject matter, even if such activities were conducted after the effective filing date of the patent.

“(4) BURDEN OF PROOF.—A person asserting the defense under this section shall have the burden of establishing the defense.

“(5) ABANDONMENT OF USE.—A person who has abandoned commercial use of subject matter may not rely on activities performed before the date of such abandonment in establishing a defense under subsection (b) with respect to actions taken after the date of such abandonment.

“(6) PERSONAL DEFENSE.—The defense under this section may only be asserted by the person who performed the acts necessary to establish the defense and, except for any transfer to the patent owner, the right to assert the defense shall not be licensed or assigned or transferred to another person except in connection with the good faith assignment or transfer of the entire enterprise or line of business to which the defense relates.

“(7) ONE-YEAR LIMITATION.—A person may not assert a defense under this section unless the subject matter on which the defense is based had been commercially used or reduced to practice more than one year prior to the effective filing date of the patent by the person asserting the defense or someone in privity with that person.

“(d) UNSUCCESSFUL ASSERTION OF DEFENSE.—If the defense under this section is pleaded by a person who is found to infringe the patent and who subsequently fails to demonstrate a reasonable basis for asserting the defense, the court shall find the case exceptional for the purpose of awarding attorney’s fees under section 285 of this title.

“(e) INVALIDITY.—A patent shall not be deemed to be invalid under section 102 or 103 of this title solely because a defense is established under this section.”.

(b) CONFORMING AMENDMENT.—The table of sections at the beginning of chapter 28 of title 35, United States Code, is amended by adding at the end the following new item:

“273. Prior domestic commercial use; defense to infringement.”.

#### SEC. 303. EFFECTIVE DATE AND APPLICABILITY.

This title and the amendments made by this title shall take effect on the date of the enactment of this Act, but shall not apply to any action for infringement that is pending on such date of enactment or with respect to any subject matter for which an adjudication of infringement, including a consent judgment, has been made before such date of enactment.

## TITLE IV—INVENTOR PROTECTION

#### SEC. 401. SHORT TITLE.

This title may be cited as the “Inventor Protection Act of 1996”.

#### SEC. 402. INVENTION DEVELOPMENT SERVICES.

Part I of title 35, United States Code, is amended by adding after chapter 4 the following new chapter:

### “CHAPTER 5—INVENTION DEVELOPMENT SERVICES

“Sec.

“51. Definitions.

“52. Contracting requirements.

“53. Standard provisions for cover notice.

“54. Reports to customer required.

“55. Mandatory contract terms.

“56. Remedies.

“57. Records of complaints.

“58. Fraudulent representation by an invention developer.

“59. Rule of construction.

#### “§ 51. Definitions

“For purposes of this chapter—

“(1) the term ‘contract for invention development services’ means a contract by which an invention developer undertakes invention development services for a customer;

“(2) the term ‘customer’ means any person, firm, partnership, corporation, or other entity who is solicited by, seeks the services of, or enters into a contract with an invention promoter for invention promotion services;

“(3) the term ‘invention promoter’ means any person, firm, partnership, corporation, or other entity who offers to perform or performs for, or on behalf of, a customer any act described under paragraph (4), but does not include—

“(A) any department or agency of the Federal Government or of a State or local government;

“(B) any nonprofit, charitable, scientific, or educational organization, qualified under applicable State law or described under section 170(b)(1)(A) of the Internal Revenue Code of 1986; or

“(C) any person duly registered and in good standing before the Patent and Trademark Office acting within the scope of that person’s registration to practice before the Patent and Trademark Office; and

“(4) the term ‘invention development services’ means, with respect to an invention by a customer, any act involved in—

“(A) evaluating the invention to determine its protectability as some form of intellectual property, other than evaluation by a person licensed by a State to practice law who is acting solely within the scope of that person’s professional license;

“(B) evaluating the invention to determine its commercial potential by any person for purposes other than providing venture capital; or

“(C) marketing, brokering, licensing, selling, or promoting the invention or a product or service in which the invention is incorporated or used, except that the display only of an invention at a trade show or exhibit shall not be considered to be invention development services.

#### **“§ 52. Contracting requirements**

“(a) IN GENERAL.—(1) Every contract for invention development services shall be in writing and shall be subject to the provisions of this chapter. A copy of the signed written contract shall be given to the customer at the time the customer enters into the contract.

“(2) If a contract is entered into for the benefit of a third party, such party shall be considered a customer for purposes of this chapter.

“(b) REQUIREMENTS OF INVENTION DEVELOPER.—The invention developer shall—

“(1) state in a written document, at the time a customer enters into a contract for invention development services, whether the usual business practice of the invention developer is to—

“(A) seek more than 1 contract in connection with an invention; or

“(B) seek to perform services in connection with an invention in 1 or more phases, with the performance of each phase covered in 1 or more subsequent contracts; and

“(2) supply to the customer a copy of the written document together with a written summary of the usual business practices of the invention developer, including—

“(A) the usual business terms of contracts; and

“(B) the approximate amount of the usual fees or other consideration that may be required from the customer for each of the services provided by the developer.

“(c) RIGHT OF CUSTOMER TO CANCEL CONTRACT.—(1) Notwithstanding any contractual provision to the contrary, a customer shall have the right to terminate a contract for invention development services by sending a written letter to the invention developer stating the customer’s intent to cancel the contract. The letter of termination must be deposited with the United States Postal Service on or before 5 business days after the date upon which the customer or the invention developer executes the contract, whichever is later.

“(2) Delivery of a promissory note, check, bill of exchange, or negotiable instrument of any kind to the invention developer or to a third party for the benefit of the invention developer, without regard to the date or dates appearing in such instrument, shall be deemed payment received by the invention developer on the date received for purposes of this section.

#### **“§ 53. Standard provisions for cover notice**

“(a) CONTENTS.—Every contract for invention development services shall have a conspicuous and legible cover sheet attached with the following notice imprinted in boldface type of not less than 12-point size:

“YOU HAVE THE RIGHT TO TERMINATE THIS CONTRACT. TO TERMINATE THIS CONTRACT, YOU MUST SEND A WRITTEN LETTER TO THE COMPANY STATING YOUR INTENT TO CANCEL THIS CONTRACT. THE LETTER OF TERMINATION MUST BE DEPOSITED WITH THE UNITED STATES POSTAL SERVICE ON OR BEFORE FIVE (5) BUSINESS DAYS AFTER THE DATE ON WHICH YOU OR THE COMPANY EXECUTE THE CONTRACT, WHICHEVER IS LATER.

“THE TOTAL NUMBER OF INVENTIONS EVALUATED BY THE INVENTION DEVELOPER FOR COMMERCIAL POTENTIAL IN THE PAST FIVE (5) YEARS IS \_\_\_\_\_. OF THAT NUMBER, \_\_\_\_\_ RECEIVED POSITIVE EVALUATIONS AND \_\_\_\_\_ RECEIVED NEGATIVE EVALUATIONS.

“IF YOU ASSIGN EVEN A PARTIAL INTEREST IN THE INVENTION TO THE INVENTION DEVELOPER, THE INVENTION DEVELOPER MAY HAVE THE RIGHT TO SELL OR DISPOSE OF THE INVENTION WITHOUT YOUR CONSENT AND MAY NOT HAVE TO SHARE THE PROFITS WITH YOU.

“THE TOTAL NUMBER OF CUSTOMERS WHO HAVE CONTRACTED WITH THE INVENTION DEVELOPER IN THE PAST FIVE (5) YEARS IS \_\_\_\_\_. THE TOTAL NUMBER OF CUSTOMERS KNOWN BY THIS INVENTION DEVELOPER TO HAVE RECEIVED, BY VIRTUE OF THIS INVENTION DEVELOPER’S PERFORMANCE, AN AMOUNT OF MONEY IN EXCESS OF THE AMOUNT PAID BY THE CUSTOMER TO THIS INVENTION DEVELOPER IS \_\_\_\_\_.

“THE OFFICERS OF THIS INVENTION DEVELOPER HAVE COLLECTIVELY OR INDIVIDUALLY BEEN AFFILIATED IN THE LAST TEN (10)

YEARS WITH THE FOLLOWING INVENTION DEVELOPMENT COMPANIES: (LIST THE NAMES AND ADDRESSES OF ALL PREVIOUS INVENTION DEVELOPMENT COMPANIES WITH WHICH THE PRINCIPAL OFFICERS HAVE BEEN AFFILIATED AS OWNERS, AGENTS, OR EMPLOYEES). YOU ARE ENCOURAGED TO CHECK WITH THE UNITED STATES PATENT AND TRADEMARK OFFICE, THE FEDERAL TRADE COMMISSION, YOUR STATE ATTORNEY GENERAL'S OFFICE, AND THE BETTER BUSINESS BUREAU FOR ANY COMPLAINTS FILED AGAINST ANY OF THESE COMPANIES.

"YOU ARE ENCOURAGED TO CONSULT WITH AN ATTORNEY OF YOUR OWN CHOOSING BEFORE SIGNING THIS CONTRACT. BY PROCEEDING WITHOUT THE ADVICE OF AN ATTORNEY REGISTERED TO PRACTICE BEFORE THE PATENT AND TRADEMARK OFFICE, YOU COULD LOSE ANY RIGHTS YOU MIGHT HAVE IN YOUR IDEA OR INVENTION."

"(b) OTHER REQUIREMENTS FOR COVER NOTICE.—The cover notice shall contain the items required under subsection (a) and the name, primary office address, and local office address of the invention developer, and may contain no other matter.

"(c) DISCLOSURE OF CERTAIN CUSTOMERS NOT REQUIRED.—The requirement in the notice set forth in subsection (a) to include the 'TOTAL NUMBER OF CUSTOMERS WHO HAVE CONTRACTED WITH THE INVENTION DEVELOPER IN THE PAST FIVE (5) YEARS' need not include information with respect to customers who have purchased trade show services, research, advertising, or other nonmarketing services from the invention developer, nor with respect to customers who have defaulted in their payments to the invention developer.

#### **"§ 54. Reports to customer required**

"With respect to every contract for invention development services, the invention developer shall deliver to the customer at the address specified in the contract, at least once every 3 months throughout the term of the contract, a written report that identifies the contract and includes—

"(1) a full, clear, and concise description of the services performed to the date of the report and of the services yet to be performed and names of all persons who it is known will perform the services; and

"(2) the name and address of each person, firm, corporation, or other entity to whom the subject matter of the contract has been disclosed, the reason for each such disclosure, the nature of the disclosure, and complete and accurate summaries of all responses received as a result of those disclosures.

#### **"§ 55. Mandatory contract terms**

"(a) MANDATORY TERMS.—Each contract for invention development services shall include in boldface type of not less than 12-point size—

"(1) the terms and conditions of payment and contract termination rights required under section 52;

"(2) a statement that the customer may avoid entering into the contract by not making a payment to the invention developer;

"(3) a full, clear, and concise description of the specific acts or services that the invention developer undertakes to perform for the customer;

"(4) a statement as to whether the invention developer undertakes to construct, sell, or distribute one or more prototypes, models, or devices embodying the invention of the customer;

"(5) the full name and principal place of business of the invention developer and the name and principal place of business of any parent, subsidiary, agent, independent contractor, and any affiliated company or person who it is known will perform any of the services or acts that the invention developer undertakes to perform for the customer;

"(6) if any oral or written representation of estimated or projected customer earnings is given by the invention developer (or any agent, employee, officer, director, partner, or independent contractor of such invention developer), a statement of that estimation or projection and a description of the data upon which such representation is based;

"(7) the name and address of the custodian of all records and correspondence relating to the contracted for invention development services, and a statement that the invention developer is required to maintain all records and correspondence relating to performance of the invention development services for such customer for a period of not less than 2 years after expiration of the term of such contract; and



“(8) a statement setting forth a time schedule for performance of the invention development services, including an estimated date in which such performance is expected to be completed.

“(b) INVENTION DEVELOPER AS FIDUCIARY.—To the extent that the description of the specific acts or services affords discretion to the invention developer with respect to what specific acts or services shall be performed, the invention developer shall be deemed a fiduciary.

“(c) AVAILABILITY OF INFORMATION.—Records and correspondence described under subsection (a)(7) shall be made available after 7 days written notice to the customer or the representative of the customer to review and copy at a reasonable cost on the invention developer’s premises during normal business hours.

#### “§ 56. Remedies

“(a) IN GENERAL.—(1) Any contract for invention development services that does not comply with the applicable provisions of this chapter shall be voidable at the option of the customer.

“(2) Any contract for invention development services entered into in reliance upon any material false, fraudulent, or misleading information, representation, notice, or advertisement of the invention developer (or any agent, employee, officer, director, partner, or independent contractor of such invention developer) shall be voidable at the option of the customer.

“(3) Any waiver by the customer of any provision of this chapter shall be deemed contrary to public policy and shall be void and unenforceable.

“(4) Any contract for invention development services which provides for filing for and obtaining utility, design, or plant patent protection shall be voidable at the option of the customer unless the invention developer offers to perform or performs such act through a registered patent attorney or agent.

“(b) CIVIL ACTION.—(1) Any customer who is injured by a violation of this chapter by an invention developer or by any material false or fraudulent statement or representation, or any omission of material fact, by an invention developer (or any agent, employee, director, officer, partner, or independent contractor of such invention developer) or by failure of an invention developer to make all the disclosures required under this chapter, may recover in a civil action against the invention developer (or the officers, directors, or partners of such invention developer) in addition to reasonable costs and attorneys’ fees, the greater of—

“(A) \$5,000; or

“(B) the amount of actual damages sustained by the customer.

“(2) Notwithstanding paragraph (1), the court may increase damages to not more than 3 times the amount awarded.

“(c) REBUTTABLE PRESUMPTION OF INJURY.—For purposes of this section, substantial violation of any provision of this chapter by an invention developer or execution by the customer of a contract for invention development services in reliance on any material false or fraudulent statements or representations or omissions of material fact shall establish a rebuttable presumption of injury.

#### “§ 57. Records of complaints

“(a) RELEASE OF COMPLAINTS.—The Commissioner shall make all complaints received by the Patent and Trademark Office involving invention developers publicly available, together with any response of the invention developers.

“(b) REQUEST FOR COMPLAINTS.—The Commissioner may request complaints relating to invention development services from any Federal or State agency and include such complaints in the records maintained under subsection (a), together with any response of the invention developers.

#### “§ 58. Fraudulent representation by an invention developer

“Whoever, in providing invention development services, knowingly provides any false or misleading statement, representation, or omission of material fact to a customer or fails to make all the disclosures required under this chapter, shall be guilty of a misdemeanor and fined not more than \$10,000 for each offense.

#### “§ 59. Rule of construction

“Except as expressly provided in this chapter, no provision of this chapter shall be construed to affect any obligation, right, or remedy provided under any other Federal or State law.”.

#### SEC. 403. TECHNICAL AND CONFORMING AMENDMENT.

The table of chapters for part I of title 35, United States Code, is amended by adding after the item relating to chapter 4 the following:

“5. Invention Development Services ..... 51”.

**SEC. 404. EFFECTIVE DATE.**

This title and the amendments made by this title shall take effect 60 days after the date of the enactment of this Act.

## **TITLE V—PATENT REEXAMINATION REFORM**

**SEC. 501. SHORT TITLE.**

This title may be cited as the “Patent Reexamination Reform Act of 1996”.

**SEC. 502. DEFINITIONS.**

Section 100 of title 35, United States Code, is amended by adding at the end the following new subsection:

“(e) The term ‘third-party requester’ means a person requesting reexamination under section 302 of this title who is not the patent owner.”.

**SEC. 503. REEXAMINATION PROCEDURES.**

(a) **REQUEST FOR REEXAMINATION.**—Section 302 of title 35, United States Code, is amended to read as follows:

**“§ 302. Request for reexamination**

“Any person at any time may file a request for reexamination by the Office of a patent on the basis of any prior art cited under the provisions of section 301 of this title or on the basis of the requirements of section 112 of this title except for the requirement to set forth the best mode of carrying out the invention. The request must be in writing, must include the identity of the real party in interest, and must be accompanied by payment of a reexamination fee established by the Commissioner pursuant to the provisions of section 41 of this title. The request must set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested or the manner in which the patent specification or claims fail to comply with the requirements of section 112 of this title. Unless the requesting person is the owner of the patent, the Commissioner promptly shall send a copy of the request to the owner of record of the patent.”.

(b) **DETERMINATION OF ISSUE BY COMMISSIONER.**—Section 303 of title 35, United States Code, is amended to read as follows:

**“§ 303. Determination of issue by Commissioner**

“(a) **REEXAMINATION.**—Not later than 3 months after the filing of a request for reexamination under the provisions of section 302 of this title, the Commissioner shall determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On the Commissioner’s initiative, at any time, the Commissioner may determine whether a substantial new question of patentability is raised by patents and publications or by the failure of the patent specification or claims to comply with the requirements of section 112 of this title except for the best mode requirement described in section 302.

“(b) **RECORD.**—A record of the Commissioner’s determination under subsection (a) shall be placed in the official file of the patent, and a copy shall be promptly given or mailed to the owner of record of the patent and to the third-party requester, if any.

“(c) **FINAL DECISION.**—A determination by the Commissioner pursuant to subsection (a) shall be final and nonappealable. Upon a determination that no substantial new question of patentability has been raised, the Commissioner may refund a portion of the reexamination fee required under section 302 of this title.”.

(c) **REEXAMINATION ORDER BY COMMISSIONER.**—Section 304 of title 35, United States Code, is amended to read as follows:

**“§ 304. Reexamination order by Commissioner**

“If, in a determination made under the provisions of section 303(a) of this title, the Commissioner finds that a substantial new question of patentability affecting a claim of a patent is raised, the determination shall include an order for reexamination of the patent for resolution of the question. The order may be accompanied by the initial action of the Patent and Trademark Office on the merits of the reexamination conducted in accordance with section 305 of this title.”.

(d) **CONDUCT OF REEXAMINATION PROCEEDINGS.**—Section 305 of title 35, United States Code, is amended to read as follows:

**“§ 305. Conduct of reexamination proceedings**

“(a) IN GENERAL.—Subject to subsection (b), reexamination shall be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133 of this title. In any reexamination proceeding under this chapter, the patent owner shall be permitted to propose any amendment to the patent and a new claim or claims, except that no proposed amended or new claim enlarging the scope of the claims of the patent shall be permitted.

“(b) RESPONSE.—(1) This subsection shall apply to any reexamination proceeding in which the order for reexamination is based upon a request by a third-party requester.

“(2) With the exception of the reexamination request, any document filed by either the patent owner or the third-party requester shall be served on the other party.

“(3) If the patent owner files a response to any Patent and Trademark Office action on the merits, the third-party requester shall have 1 opportunity to file written comments within a reasonable period not less than 1 month after the date of service of the patent owner’s response. Written comments provided under this paragraph shall be limited to issues covered by the Patent and Trademark Office action or the patent owner’s response.

“(c) SPECIAL DISPATCH.—Unless otherwise provided by the Commissioner for good cause, all reexamination proceedings under this section, including any appeal to the Board of Patent Appeals and Interferences, shall be conducted with special dispatch within the Office.”

(e) APPEAL.—Section 306 of title 35, United States Code, is amended to read as follows:

**“§ 306. Appeal**

“(a) PATENT OWNER.—The patent owner involved in a reexamination proceeding under this chapter—

“(1) may appeal under the provisions of section 134 of this title, and may appeal under the provisions of sections 141 through 144 of this title, with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent; and

“(2) may be a party to any appeal taken by a third-party requester pursuant to subsection (b) of this section.

“(b) THIRD-PARTY REQUESTER.—A third-party requester—

“(1) may appeal under the provisions of section 134 of this title, and may appeal under the provisions of sections 141 through 144 of this title, with respect to any final decision favorable to the patentability of any original or proposed amended or new claim of the patent; and

“(2) may be a party to any appeal taken by the patent owner, subject to subsection (c) of this section.

“(c) PARTICIPATION AS PARTY.—(1) A third-party requester who, under the provisions of sections 141 through 144 of this title, files a notice of appeal or who participates as a party to an appeal by the patent owner is estopped from asserting at a later time, in any forum, the invalidity of any claim determined to be patentable on appeal on any ground which the third-party requester raised or could have raised during the reexamination proceedings.

“(2) A third-party requester is deemed not to have participated as a party to an appeal by the patent owner unless, not later than 20 days after the patent owner has filed notice of appeal, the third-party requester files notice with the Commissioner electing to participate.”

(f) REEXAMINATION PROHIBITED.—(1) Chapter 30 of title 35, United States Code, is amended by adding at the end the following new section:

**“§ 308. Reexamination prohibited**

“(a) ORDER FOR REEXAMINATION.—Notwithstanding any provision of this chapter, once an order for reexamination of a patent has been issued under section 304 of this title, neither the patent owner nor the third-party requester, if any, nor privies of either, may file a subsequent request for reexamination of the patent until a reexamination certificate is issued and published under section 307 of this title, unless authorized by the Commissioner.

“(b) FINAL DECISION.—Once a final decision has been entered against a party in a civil action arising in whole or in part under section 1338 of title 28 that the party has not sustained its burden of proving the invalidity of any patent claim in suit, then neither that party nor its privies may thereafter request reexamination of any such patent claim on the basis of issues which that party or its privies raised or could have raised in such civil action, and a reexamination requested by that party

or its privies on the basis of such issues may not thereafter be maintained by the Office, notwithstanding any other provision of this chapter.”.

(2) The table of sections for chapter 30 of title 35, United States Code, is amended by adding at the end the following:

“308. Reexamination prohibited.”.

#### **SEC. 504. CONFORMING AMENDMENTS.**

(a) **BOARD OF PATENT APPEALS AND INTERFERENCES.**—The first sentence of section 6(b) of title 35, United States Code, as amended by section 117 of this Act, is amended to read as follows: “The Board of Patent Appeals and Interferences shall, on written appeal of an applicant, or a patent owner or a third-party requester in a reexamination proceeding, review adverse decisions of examiners upon applications for patents and decisions of examiners in reexamination proceedings, and shall determine priority and patentability of invention in interferences declared under section 135(a) of this title.”.

(b) **PATENT FEES; PATENT AND TRADEMARK SEARCH SYSTEMS.**—Section 41(a)(7) of title 35, United States Code, is amended to read as follows:

“(7) On filing each petition for the revival of an unintentionally abandoned application for a patent, for the unintentionally delayed payment of the fee for issuing each patent, or for an unintentionally delayed response by the patent owner in a reexamination proceeding, \$1,250, unless the petition is filed under sections 133 or 151 of this title, in which case the fee shall be \$110.”.

(c) **APPEAL TO THE BOARD OF PATENT APPEALS AND INTERFERENCES.**—Section 134 of title 35, United States Code, is amended to read as follows:

#### **“§ 134. Appeal to the Board of Patent Appeals and Interferences**

“(a) **PATENT APPLICANT.**—An applicant for a patent, any of whose claims has been twice rejected, may appeal from the decision of the primary examiner to the Board of Patent Appeals and Interferences, having once paid the fee for such appeal.

“(b) **PATENT OWNER.**—A patent owner in a reexamination proceeding may appeal from the final rejection of any claim by the primary examiner to the Board of Patent Appeals and Interferences, having once paid the fee for such appeal.

“(c) **THIRD-PARTY.**—A third-party requester may appeal to the Board of Patent Appeals and Interferences from the final decision of the primary examiner favorable to the patentability of any original or proposed amended or new claim of a patent, having once paid the fee for such appeal.”.

(d) **APPEAL TO COURT OF APPEALS FOR THE FEDERAL CIRCUIT.**—Section 141 of title 35, United States Code, is amended by amending the first sentence to read as follows: “An applicant, a patent owner, or a third-party requester, dissatisfied with the final decision in an appeal to the Board of Patent Appeals and Interferences under section 134 of this title, may appeal the decision to the United States Court of Appeals for the Federal Circuit.”.

(e) **PROCEEDINGS ON APPEAL.**—Section 143 of title 35, United States Code, is amended by amending the third sentence to read as follows: “In ex parte and reexamination cases, the Commissioner shall submit to the court in writing the grounds for the decision of the Patent and Trademark Office, addressing all the issues involved in the appeal.”.

(f) **CIVIL ACTION TO OBTAIN PATENT.**—Section 145 of title 35, United States Code, is amended in the first sentence by inserting “(a)” after “section 134”.

#### **SEC. 505. EFFECTIVE DATE.**

This title and the amendments made by this title shall take effect on the date that is 6 months after the date of the enactment of this Act and shall apply to all reexamination requests filed on or after such date.

## **TITLE VI—MISCELLANEOUS PATENT PROVISIONS**

#### **SEC. 601. PROVISIONAL APPLICATIONS.**

(a) **ABANDONMENT.**—Section 111(b)(5) of title 35, United States Code, is amended to read as follows:

“(5) **ABANDONMENT.**—Notwithstanding the absence of a claim, upon timely request and as prescribed by the Commissioner, a provisional application may be treated as an application filed under subsection (a). If no such request is made, the provisional application shall be regarded as abandoned 12 months after the filing date of such application and shall not be subject to revival thereafter.”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) applies to any provisional application filed on or after June 8, 1995.

**SEC. 602. INTERNATIONAL APPLICATIONS.**

Section 119 of title 35, United States Code, is amended—

(1) in subsection (a), by inserting “or in a WTO member country” after “or to citizens of the United States,”;

(2) in subsection (b), as amended by section 203 of this Act, by striking “patent office of the foreign country” and inserting “foreign intellectual property authority”; and

(3) by adding at the end the following new subsections:

“(f) **APPLICATIONS FOR PLANT BREEDER’S RIGHTS.**—Applications for plant breeder’s rights filed in a WTO member country (or in a UPOV Contracting Party) shall have the same effect for the purpose of the right of priority under subsections (a) through (c) of this section as applications for patents, subject to the same conditions and requirements of this section as apply to applications for patents.

“(g) **DEFINITIONS.**—As used in this section—

“(1) the term ‘WTO member country’ has the same meaning as the term is defined in section 104(b)(2) of this title; and

“(2) the term ‘UPOV Contracting Party’ means a member of the International Convention for the Protection of New Varieties of Plants.”.

**SEC. 603. PLANT PATENTS.**

(a) **TUBER PROPAGATED PLANTS.**—Section 161 of title 35, United States Code, is amended by striking “a tuber propagated plant or”.

(b) **RIGHTS IN PLANT PATENTS.**—The text of section 163 of title 35, United States Code, is amended to read as follows: “In the case of a plant patent, the grant shall include the right to exclude others from asexually reproducing the plant, and from using, offering for sale, or selling the plant so reproduced, or any of its parts, throughout the United States, or from importing the plant so reproduced, or any parts thereof, into the United States.”.

(c) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply on the date of the enactment of this Act. The amendment made by subsection (b) shall apply to any plant patent issued on or after the date of the enactment of this Act.

**SEC. 604. JUST COMPENSATION FOR U.S. GOVERNMENT USE OF PATENTS.**

(a) **COMPENSATION.**—Section 1498(a) of title 28, United States Code, is amended by adding at the end of the first paragraph the following: “Reasonable and entire compensation shall include the owner’s reasonable costs, including reasonable fees for expert witnesses and attorneys, in pursuing the action if the owner is an independent inventor, a nonprofit organization, or an entity that had no more than 500 employees at any time during the 5-year period preceding the use or manufacture of the patented invention by or for the United States.”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to actions under section 1498(a) of title 28, United States Code, that are pending on, or brought on or after, the date of the enactment of this Act.

**SEC. 605. ELECTRONIC FILING.**

Section 22 of title 35, United States Code, is amended by striking “printed or typewritten” and inserting “printed, typewritten, or on an electronic medium”.

## PURPOSE AND SUMMARY

The United States is by far the world’s largest producer of intellectual property, and this has greatly benefitted our balance of trade. This success is dependent upon a rational and sound policy of protecting intellectual property by encouraging the development of new inventions and processes.

Despite this success, the U.S. patent system is not without its problems. Some dilatory patent applicants and plaintiffs’ attorneys have developed ways to game the system and ultimately extort hundreds of millions of dollars from industries—costs that are ultimately passed on to American consumers. Another key problem is that the Patent and Trademark Office is bogged down in bureaucratic red tape. It cannot run at its peak efficiency. Many other nations have learned from our success—America no longer stands

alone in its commitment to a strong system of patent protection for its inventors, small businesses, and industries. Consequently, it is more important now than ever that Congress adopt certain reforms that will ensure that America maintains its position as the world leader in the production of intellectual property.

H.R. 3460 contains several titles addressing and solving major problems threatening our patent system. With the exception of the title containing miscellaneous provisions, each title consists of an independent bill that was the subject of comprehensive hearings in the Subcommittee on Courts and Intellectual Property. Each of these titles also reflects changes that were made in response to valuable comments submitted by expert witnesses, Members, independent inventors, small businesses, large corporations, industry organizations, patent law associations, and the Patent and Trademark Office.

#### BACKGROUND AND NEED FOR THE LEGISLATION

The following is a breakdown and explanation of the background and need for each of the patent titles contained in H.R. 3460:

##### TITLE I—PATENT AND TRADEMARK OFFICE GOVERNMENT CORPORATION

Under Title I, the United States Patent and Trademark Office (“PTO”), currently a bureau of the Department of Commerce, would be established as an independent government corporation under the policy direction of the Secretary of Commerce. These provisions, originally introduced by Subcommittee Chairman Carlos Moorhead and Ranking Democratic Member Pat Schroeder as H.R. 1659, separate the Office from any established agency but maintain policy direction from the Executive Branch to ensure uniform goals in the area of intellectual property rights.

The PTO is one of a few government entities which lends itself to the government corporation model. Unlike most government agencies, it is funded completely by user fees. Its workload is driven by the inflow of patent and trademark applications that applicants submit. It requires the services of patent examiners with expertise in a wide variety of areas. The market values these kinds of expertise differently with some commanding higher prices and some lower. The PTO can and should operate to serve most efficiently the public interest, including the interest of those who pay user fees to support it—patent and trademark applicants. Further, the Office performs a quasi-judicial function, which should be handled in an independent manner.

Apart from policy, the work of the PTO has always been independent, but the Department of Commerce has exercised control over its finances and its procedures. An independently managed government corporation with Congressionally approved borrowing authority will possess the operational flexibility and independence required to best serve the public and the innovators who have become an increasingly important aspect of our national economy. If the PTO is to operate in a business-like manner to accomplish operational efficiency with integrity, it must have management, operational, and financial flexibility that it does not currently have.

Title I establishes the Patent and Trademark Office as an independent wholly owned government corporation and transfers to it the duties carried out by the existing Office while maintaining the policy direction of the Secretary of Commerce. It establishes that the Office shall be managed by a Commissioner of Patents and Trademarks who is appointed by the President, by and with the advice and consent of the Senate, for a term of five years. The length of the term should provide continuity and carry-over between presidential administrations. Under this title, the President is required to nominate a Commissioner who, "by reason of professional background and experience in patent or trademark law, is especially qualified to manage the Office."

Title I caps the salaries of the Commissioner, the Deputy Commissioner for Patents, the Deputy Commissioner for Trademarks (both of whom are appointed by the Commissioner), and any other employees hired by the PTO. It further leaves to Congress the duty of setting the filing fees which establish and control the budget of the PTO. The title further requires that an Inspector General be appointed.

Title I provides that the new PTO Corporation would be able to purchase real and personal property based on an established bidding process without proceeding through the General Services Administration. It further frees the Office from any administratively or statutorily imposed limitations on positions or personnel and exempts it from the employment, classification, retention, performance appraisal, and General Schedule pay rates of Title 5 of the U.S. Code. Title I replaces this system with full collective bargaining. This would allow the PTO, subject to oversight by Congress and its own collective bargaining agreements, to hire and place employees without regard to the registers maintained by the Office of Personnel Management, to downsize without regard to current reduction in force requirements, to award bonuses and demote for poor job performance, and to establish its own pay scale outside of the General Schedule.

Under Title I, the cap on the top basic pay rate of PTO employees will increase from about \$95,000 to about \$133,000 with a ceiling on total pay also having a cap of around \$133,000. The title continues to allow for a negotiated grievance procedure and a right to appeal to the EEOC. The title guarantees that employees will retain their federal health, life, and retirement benefits, except that the PTO would be able to supplement or improve current benefits.

The title further provides for a bipartisan Management Advisory Board, comprised of members of the private sector who represent users of the PTO. Under this title, the Board would be made up of 12 members: four to be appointed by the President, four to be appointed by the Speaker of the House, and four to be appointed by the president pro tempore of the Senate. The terms of the members of the Board would be four years, and the terms would be staggered. The Chairman of the Board would be appointed by the President and would serve for three years. The Board shall review the policies, goals, performance, budget, and user fees of the PTO and advise the Commissioner. The Board shall also prepare an annual report to the President and the Judiciary Committees of the

House and the Senate, which will be published in the PTO Official Gazette.

Title I maintains the Trademark Trial and Appeals Board which determines the rights of registration in every case, opposition to registration, or application to cancel the registration of a mark. It further maintains a Board of Patent Appeals and Interferences which shall, on written appeal of an applicant, review adverse decisions of patent examiners. Importantly, patent and trademark examiners, and Members of the Appeal Boards may not be removed from office, except for cause. This protection will insulate these quasi-judicial officers from outside pressures and preserve integrity within the application examination system.

Under the title, a relationship is established with the Justice Department for assistance in the defense of lawsuits brought against the PTO Corporation. The PTO will be required to report to Congress annually on budget and patent quality issues.

Importantly, the PTO is granted borrowing authority, subject to annual appropriations acts, and is allowed to issue bonds for purchase by the Secretary of the Treasury. Any monies not otherwise used to carry on the duties of the PTO must be kept in cash on hand, in deposit, or invested in U.S. obligations or other lawful investments for public funds. The PTO cannot borrow money without explicit advance approval in appropriations acts and without guaranteeing its payment from future user fee income. Audits shall be conducted by an independent accountant chosen by the Commissioner and are subject to review by the Comptroller General.

Title I was written to reflect the concerns of employees from the PTO, expressed in hearing testimony. It attempts to strike an appropriate balance between union and management and grant the flexibility necessary to allow the PTO and its users to benefit directly from the fees its users pay. That means better service to America's creative community by a better work force under the oversight of Congress and the President with increased input by employees and their organizations. Government corporation status is supported by the National Academy of Public Administration. The establishment of the PTO as a government corporation is necessary to achieve cost-effective, quality examining operations which will best serve its users, and consequently, the public interest.

#### TITLE II—PATENT PUBLICATION

The Subcommittee on Courts and Intellectual Property held extensive hearings on H.R. 1733, the "Patent Application Publication Act of 1995" and H.R. 359, "a bill to restore the term of patents, and for other purposes." In those hearings, held on June 8 and November 1, 1995, the Subcommittee benefitted from the testimony of twenty-two witnesses. These witnesses represented the full spectrum of views of individuals and entities that utilize the Patent and Trademark Office: independent inventors, small businesses, nonprofit organizations, universities, large corporations, patent attorneys and trade organizations. The vast majority of the patent community wholly supported the provisions of H.R. 1733 as introduced, as did the Bush Administration, the Clinton Administration and five of the past six former living Commissioners of the Patent and Trademark Office. Below is a summary of the provisions of



Title II and a breakdown of the changes adopted to ensure that every diligent patent applicant gains under its provisions.

#### *Term issues*

One of the key patent provisions in the TRIPS Agreement was the establishment of an international standard minimum term for patent protection. In accordance with the treaty, the United States is obliged to establish a minimum patent term of twenty years from the time the patent application was filed. Formerly, the U.S. provided only seventeen years of protection from the time the patent was issued. Consequently, a change in the law was required to ensure compliance.

In 1994, the Congress took a straightforward approach to complying with this obligation and simply adopted the twenty year from filing term, the minimum required by TRIPS. Since June 8, 1995, that has been the standard to measure patent term in the United States. Obviously, any patent that is granted within three years will result in an increase in patent term for patent applicants. Under this new system, even based on historical data from a time when there was not the same incentive to expedite processing, the vast majority of patent applicants, nearly 90% will experience a significant increase in patent term.

Nevertheless, because the system changed from one based upon grant to one based upon filing, there was some concern that delays in the Patent Office would eat away at some applicants' patent term through no fault of the applicants. This is handled to some extent by present law, where the twenty year patent term may be extended for a total of up to five years for delays in the issuance of a patent due to interferences, secrecy orders, or successful appeals to the Board of Patent Appeals and Interferences or the federal courts.

As introduced, H.R. 1733 took the protection for inventors two steps further. First, the bill provided an additional category, unusual administrative delays, to the list of circumstances justifying term compensation. Second, it raised the limit on compensable delay to ten years. Even with these protections, there were those who had concerns. Some patent applicants were fearful that even a ten year cap on delays will result in reductions in term for some fraction of a percentage of diligent applicants. Others expressed concern about having a subjective standard to determine unusual administrative delay.

Title II of H.R. 3460 solves both of these concerns. First, it removes the ten-year cap in those circumstances where there is even a slight risk that a diligent applicant could lose patent term. Second, it introduces an objective time clock to interpret the unusual administrative delay standard. Under the objective time clock, the Patent Office is required to compensate automatically and fully any delays beyond a stated minimum. Under the provisions of Title II, every diligent patent applicant is ensured at least seventeen years of patent term from the date of grant, and in most cases, a term closer to eighteen years.

*Publication provisions*

All of the major patent systems throughout the world, with the exception of the United States, publish applications 18 months from the earliest effective filing date. In an age where worldwide patent protection is becoming increasingly important, the current system places U.S. inventors at a clear disadvantage. For example, an invention that is the subject of a patent application in Japan will be published in the Japanese language after 18 months. Inventors reviewing the Japanese patent application disclosures will have the benefit of the early disclosure in Japan. This is especially beneficial to domestic inventors in Japan as they are able to obtain an early disclosure of the technology in the Japanese language. Meanwhile, in the United States, domestic inventors do not have the benefit of an English language publication of the technology disclosed in an application for a patent until the patent is actually issued. This situation provides foreign inventors a clear advantage relative to U.S. domestic inventors.

The early publication provisions of Title II would provide American inventors with a prompt English-language publication of relatively current technology. There would be no need to await the grant of a patent to gain an understanding of the technology it contains. This will speed disclosure of foreign origin U.S. patent technology by at least 12 months. Further, technology contained in patent applications that never mature into patents would also be available. Our domestic inventors would be able to take advantage of this earlier access to English-language patent application technology and build upon it more rapidly than they are able to do in our current system. In this way, the Constitutional objective of "promoting the progress of \* \* \* [the] useful arts" would be advanced.

In addition, these provisions would promote more efficient use of limited research and development resources by preventing duplication of research, signaling promising areas of research, and indicating which research topics are being pursued by others. Further, with this law, inventors would be able to avoid the commitment of substantial resources to develop an invention based on an incomplete, erroneous assessment of its patentability.

This legislation would also help to address the submarine patent problem that has long plagued the U.S. patent system. Submarine patents surface from applications that have been pending in the PTO for many years. The belatedly granted patents often cause disruptions in the market place because competitors unknowingly regarded and adopted the later-patented technology as commonplace publicly available information. Those competitors are often required to negotiate a license with the late-arriving patentee against a threat of a lawsuit to shut down their operations if the terms are not right. Early publication would provide the above competitors with the necessary information to make the requisite business decisions before entering a given field.

In return for the disclosure that would be made by virtue of early publication, patentees would be given provisional rights to obtain compensation for any use of an invention disclosed in the application for patent for the time period from publication to grant. In conjunction with a twenty-year patent term, provisional rights

would give eventual patentees the opportunity to obtain at least 18½ years of patent rights (provisional rights from publication at 18 months until grant plus full rights upon grant) regardless of patent pendency. If a provisional patent application is filed, or if publication is requested earlier than eighteenth month, an eventual patentee could obtain up to 19½ years or more of patent rights.

Title II takes a significant additional step to protect those who may not want their application published. It proposes to amend title 35 to enable an independent inventor to defer publication until three months after an initial patentability determination by the PTO. To be eligible for this provision, an inventor must certify that he or she has not also filed the application in a foreign country (where it will inevitably be published within 18 months). Situations are extremely rare where an independent inventor who is actively seeking an early PTO action will not obtain at least one patentability determination (most will receive two) before three months prior to the 18 months of pendency of his or her application. However, this provision ensures that such an action will be received by qualified independent inventors in a timely manner. In this way, the independent inventor is given ample opportunity to withdraw his application and pursue the trade secret route when patentability is unlikely and the invention can be kept secret.

The twenty-year term and the 18-month publication provisions of Title II have the strong support of the current and precious presidential administrations and five of the past six living Commissioners of Patents and Trademarks. Title II also has the backing of key industry groups like the National Association of Manufacturers and the Biotechnology Industry Organization as well as every major patent, copyright, and bar association that has expressed an opinion on these topics.

#### TITLE III—PRIOR DOMESTIC USER RIGHTS

Title III contains provisions originally contained in H.R. 2235, introduced by Subcommittee Chairman Carlos Moorhead and Ranking Democratic Member Pat Schroeder, to provide a defense of prior user rights against infringement of a patent. The defense typically arises when an original inventor, who decided not to patent a manufacturing process, uses the process as a trade secret in a commercial endeavor. The original inventor is later sued by a party, often a party outside the United States, who subsequently patented the process. While U.S. law permits the assertion of prior public use as a method of defeating a patent under our first-to-invent system, it may not recognize secret prior use as a defense to patent infringement.

An inventor may develop a process without ever considering obtaining a patent, may not be able to afford obtaining a patent, or may choose for strategic or personal reasons to protect his process as a trade secret. One of the more famous trade secrets is the formula for Coca-Cola which has never been patented. While there is no federal trade secret law, there is state common law protection for trade secrets and many states have enacted statutes to protect trade secrets.

Under current law, choosing to practice an invention as a trade secret has its risks because while prior public disclosure of an invention defeats a patent, an undisclosed invention which relies on trade secret protection may not. Title III would eliminate this risk by granting a prior user, in effect, a defense against infringement suits for practicing the later patented invention. This personal defense does not extend to later developed products and processes that infringe the patent.

Title III would allow an inventor to choose whether to patent an invention or use it as a trade secret by granting a personal defense against an infringement suit to any inventor who commercially used an invention at least one year before the filing date of a patent for the very same invention issued to another. This prior use defense leaves the patent intact for assertion against all others. This balance is designed to maintain incentives to patent new inventions without forcing inventors to seek patents on every trivial advancement.

Under the current system, foreign patentees, who are treated the same as U.S. inventors under our patent laws, may obtain patents on processes or products protected by trade secret laws in the U.S. and sue the original U.S. inventors for infringement. However, U.S. inventors are not able to do the same abroad because most of our foreign trading partners have enacted prior uses rights as a means of protecting their manufacturers.

#### TITLE IV—INVENTOR PROTECTION

Title IV would create a new chapter 5 of Part I of title 35 of the United States Code designed to curb the deceptive practices of invention marketing companies. It contains provisions originally contained in H.R. 2419, introduced by Subcommittee Chairman Carlos Moorhead and Ranking Democratic Member Pat Schroeder.

These companies operate by advertising that inventors can call a toll free number for an invention evaluation form, which they claim is used to provide expert analysis of the development possibilities of their inventions. The inventors return the form with descriptions of the inventions, which become the basis for contacts by salespeople at the marketing companies. The next step is a costly product research report which usually contains nothing more than boilerplate information stating merely that the invention may qualify for a design patent. Then the marketing companies attempt to convince the inventor to buy marketing services—typically consisting of a mere mention in a few press release and trade shows—at a cost of up to \$10,000.

The title aims to confront these problems by requiring that: (1) contracts between marketing companies and inventors contain standardized disclosures, including the number of applicants rejected by the companies, statistics on the profits actually earned by inventors, and contractual terms prescribing payment conditions and termination rights and (2) marketing companies submit quarterly reports to their subscribing inventors.

Remedies against companies for failing to comply include private civil actions for actual or \$5,000 statutory damages, the possibility of treble damages, and costs and attorneys' fees. Criminal penalties of up to \$10,000 are also provided.

## TITLE V—PATENT REEXAMINATION REFORM

In 1980, Congress enacted Public Law No. 96-517 to authorize the reexamination of U.S. patents in the Patent and Trademark Office. The reexamination provisions, set forth in 35 U.S.C. §§ 301-307, and the rules governing reexamination (37 CFR 1.501-1.570) became effective on July 1, 1981. Title V contains provisions originally contained in H.R. 1732, introduced by Chairman Moorhead and Ranking Democratic Member Schroeder.

The reexamination statute permits the patent owner or any other person to (1) cite to the Office patents or printed publications as prior art pertaining to the validity of an issued patent, and (2) request that the Office reexamine any claim of that patent on the basis of the cited prior art. Within three months of such a request or on his own initiative, the Commissioner must determine whether a substantial new question of patentability is raised by the prior art cited to or discovered by him. If a substantial new question of patentability is found, the Commissioner will issue an order granting the reexamination. The patent owner is then given two months to file a preliminary statement responding to the reexamination order. If the order follows a request by a third party to reexamine the patent, and the patent owner files a preliminary statement responding to the order, the third-party requester may, within two months, file a reply to the patent owner's preliminary statement. The claim or claims in question are then reexamined by the Office "with special dispatch," but otherwise using essentially the same procedures applicable to the examination of patent applications.

Reexamination proceedings, like the examination of patent applications, are *ex parte* in nature (i.e., they exclude participation by parties other than the Office and the patent owner). In such proceedings, the patent owner may file amendments to the specification, amend existing claims or present new claims, conduct interviews and take appeals from final adverse determinations of patentability by the Office. Reexamination concludes with the issuance of a reexamination certificate which cancels any claims found to be unpatentable, and confirms the patentability of claims determined to be patentable whether originally amended or newly submitted during the reexamination.

Current reexamination procedures have been criticized as being biased against "third-party" requesters (i.e., a party other than the patent owner who requests reexamination). A third-party requester cannot participate in the reexamination proceeding beyond filing the initial request for reexamination. Some have claimed that the *ex parte* nature of prosecution following a reexamination order, while reducing the time and cost involved, provides the patent owner with an unfair advantage.

Conclusions of the Office in reexamination proceedings are given considerable weight by a court in considering the validity of reexamined claims of a patent. This has led some to conclude that a third party's burden of proving invalidity in litigation will be more difficult to sustain than in instances where the patent was not involved in a reexamination. Many third parties are accordingly reluctant to request reexamination even when they possess relevant

prior art. Thus, reexamination has not realized its full potential as an inexpensive and expeditious alternative to litigation.

The reexamination system established in 1980 needs to be revised to make it a more effective and balanced procedure for reviewing patent validity. This legislation would introduce changes to the reexamination provisions to accomplish this objective.

There are three main elements of the legislation. First, the legislation provides third parties with a greater opportunity to participate in reexamination proceedings while maintaining most of the features which make reexamination a desirable alternative to litigation in the federal courts (e.g., low cost, expedited procedure). Second, the legislation expands the basis and scope of reexamination to include review of compliance with all aspects of 35 U.S.C., § 112, except the “best mode” requirement. Third, the proposed legislation requires that the real party in interest be identified and provides third-party requesters with certain appeal rights. Exercising some of these rights (e.g., filing of an appeal to the Federal Circuit), would be conditioned on the third-party requester accepting a statutory estoppel against subsequent review, either by the Office or by a federal court, of the issues that were or could have been raised in the reexamination proceeding. These limits, along with certain others introduced in the legislation, would ensure that reexamination proceedings could not be used to harass patent owners and would not be available where court action makes reexamination unnecessary.

The proposed modifications would not unreasonably increase the cost, complexity or duration of reexamination proceedings, nor would they impose unreasonable burdens on the Office or patentees. Reexamination proceedings would continue to be based largely on the *ex parte* structure of regular examination. The issues considered during reexamination would continue to be those routinely considered by examiners in the course of regular examination procedures. Most importantly, however, these modifications would increase third party use of the reexamination system as a meaningful, inexpensive and expeditious alternative to patent validity litigation.

#### TITLE VI—MISCELLANEOUS PATENT PROVISIONS

Title VI contains various technical, clarifying and conforming changes to our patent law that are not related to any of the five major titles of H.R. 3460.

#### HEARINGS

There have been six days of hearings and 44 witnesses who have testified on the provisions of H.R. 3460.

The Committee’s Subcommittee on Courts and Intellectual Property held two days of hearings on Title I of H.R. 3460 on September 14, 1995, and March 8, 1996. Testimony was received from The Honorable Bruce A. Lehman, Assistant Secretary of Commerce and Commissioner of Patents and Trademarks, Patent and Trademark Office, U.S. Department of Commerce; Dr. Harold Seidman, Senior Fellow, and Alan Dean, Fellow, from the National Academy of Public Administration; Michael K. Kirk, Executive Director of the

American Intellectual Property Law Association; Herbert C. Wamsley, Executive Director of the Intellectual Property Owners; Donald R. Dunner, Chair of the Section on Intellectual Property Law Section of the American Bar Association; The Honorable Dana Rohrabacher, Representative, California 45th District; The Honorable Duncan Hunter, Representative, California, 52nd District; Mr. Timothy Reardon, Congressional Liaison, Patent & Trademark Office Society; Mr. Robert M. Tobias, National President, National Treasury Employees Union; Mr. Ronald J. Stern, President, Patent Office Professional Association; Mr. Howard Friedman, President, The Trademark Society, National Treasury Employees Union, Chapter 245; and Ms. Catherine Simmons-Gill, President, International Trademark Association.

The Committee's Subcommittee on Courts and Intellectual Property held two days of hearings on Title II and Title V of H.R. 3460 on June 8, 1995 and November 1, 1995. Testimony was received from The Honorable Martin Frost, Congressman from Texas, 24th District; The Honorable Bruce A. Lehman, Assistant Secretary of Commerce and Commissioner of Patents and Trademarks, Patent and Trademark Office, U.S. Department of Commerce; Mr. Gary L. Griswold, Intellectual Property Owners; Mr. Michael Kirk, American Intellectual Property Law Association; Mr. Thomas E. Smith, American Bar Association, Section on Intellectual Property Law; Mr. Andrew Kimbrell, Director, International Center for Technology Assessment; Mr. Kenneth Addison, Oklahoma Inventors Congress; Dr. Raymond Damadian, President and Chairman, Fonar Corporation; The Honorable Dana Rohrabacher, Representative, California, 45th District; Mr. James L. Fergason, Inventor, Founder and President of Optical Shields, Incorporated, Menlo Park, California; Mr. Mark A. Lemley, Assistant Professor, School of Law, University of Texas at Austin; Mr. Thomas W. Buckman, Inventor, Vice President, Patents and Technology, Illinois Tool Works, Incorporated, Glenview, Illinois, representing the National Association of Manufacturers; Mr. William D. Budinger, Inventor, Chairman & Chief Executive Officer, Rodel, Incorporated, and Chair of the Technology and Innovation Section of the White House Conference on Small Business; Mr. Edward Stead, Vice President, General Counsel & Secretary, Apple Computer, Incorporated, testifying on behalf of the Information Technology Industry Council; Mr. Roger May, Assistant General Counsel, Ford Motor Company, Member of the Michigan Patent Law Association; Mr. Stephen Barram, Inventor, Chief Executive Officer, Integrated Services, Incorporated, Lake Oswego, Oregon; Dr. Raymond Damadian, Inventor, President and Chairman, Fonar, Incorporated, Inventor and Manufacturer of Magnetic Resonance Imaging (MRI); Mr. James Chandler, President of the National Intellectual Property Law Institute, Washington, D.C.; Dr. Robert Rines, Inventor, Founder, and former President of the Franklin Pierce Law Center; Ms. Diane L. Gardner, Patent Agent, Molecular Biosystems, Incorporated, and President of the Intellectual Property Law Society at Thomas Jefferson School of Law; Dr. Paul Crilly, Inventor, and Associate Professor of Electronic Engineering University of Tennessee, Knoxville; and Dr. David L. Hill, President, Patent Enforcement Fund, Incorporated, Southport, Connecticut.

The Committee's Subcommittee on Courts and Intellectual Property held one day of hearings on Title III of H.R. 3460 on October 26, 1995. Testimony was received from Mr. Dieter Hoinkes, Senior Counsel, Office of Legislative and International Affairs, Patent and Trademark Office, U.S. Department of Commerce; Mr. Karl Jorda, Professor, Franklin Pierce Law Center; Mr. Richard Schwaab, Adjunct Professor, George Mason Law School and Partner, Foley & Lardner; Mr. Gary L. Griswold, President of the Intellectual Property Owners; Mr. Robert A. Armitage, President, American Intellectual Property Law Association (AIPLA); and Mr. William D. Budinger, Chairman and Chief Executive Officer, Rodel, Incorporated.

The Committee's Subcommittee on Courts and Intellectual Property held one day of hearings on Title IV of H.R. 3460 on October 19, 1996. Testimony was received from G. Lee Skillington, Counsel, Office of Legislative and International Affairs, Patent and Trademark Office, United States Department of Commerce; Senator Joseph I. Lieberman, the sponsor of S. 909, the Senate companion bill to H.R. 2419; Dr. William D. Noonan, Klarquist, Sparkman, Campbell, Leigh & Whinston; Mr. Donald R. Dunner, Chair, Section of Intellectual Property Law Section, American Bar Association; Mr. Michael Kirk, Executive Director, American Intellectual Property Law Association; and Mr. Robert Lougher, Inventors Awareness Group.

#### COMMITTEE CONSIDERATION

On May 15, 1996, the Subcommittee on Courts and Intellectual Property considered a Committee Print incorporating five bills pending before the Subcommittee (PTO Government Corporation, Patent Application Publication, Prior User Rights, Reexamination Reform and Inventor Protection). The Committee Print was favorably reported to the Committee on the Judiciary by voice vote, a quorum being present. A bill containing the Committee Print favorably reported by the Subcommittee was introduced as H.R. 3460. On June 11, the Committee on the Judiciary considered H.R. 3460. Two amendments were offered: (1) Congressman Moorhead offered an en bloc amendment making various technical, clarifying and conforming changes, and (2) Congressmen Hyde and Conyers offered an amendment to the short title of H.R. 3460 to rename the bill the "Moorhead-Schroeder Patent Reform Act." Both of the amendments passed by voice vote, a quorum being present and the bill H.R. 3460, as amended, was ordered favorably reported by voice vote, a quorum being present, to the House.

#### COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 2(l)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee reports that the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.



COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT FINDINGS

No findings or recommendations of the Committee on Government Reform and Oversight were received as referred to in clause 2(l)(3)(D) of rule XI of the Rules of the House of Representatives.

NEW BUDGET AUTHORITY AND TAX EXPENDITURES

Clause 2(l)(3)(C) of House rule XI is inapplicable because this legislation does not provide new budgetary authority or increased tax expenditures.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

In compliance with clause 2(l)(C)(3) of rule XI of the Rules of the House of Representatives, the Committee sets forth, with respect to the bill, H.R. 3460, the following estimate and comparison prepared by the Director of the Congressional Budget Office under section 403 of the Congressional Budget Act of 1974:

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, July 11, 1996.*

Hon. HENRY J. HYDE,  
*Chairman, Committee on the Judiciary,*  
*House of Representatives, Washington, DC*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 3460, the Moorhead-Schroeder Patent Reform Act.

Enactment of H.R. 3460 would affect direct spending. Therefore, pay-as-you-go procedures would apply to the bill.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

JAMES L. BLUM  
(For June E. O'Neill, Director).

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 3460.
2. Bill title: Moorhead-Schroeder Patent Reform Act.
3. Bill status: As ordered reported by the House Committee on the Judiciary on June 11, 1996.
4. Bill purpose: H.R. 3460 would establish the United States Patent and Trademark Office (PTO) as a government corporation and make a number of other changes in laws governing the issuance of patents and related procedures.

Title I would establish a wholly owned government corporation to replace the existing PTO, an agency within the Department of Commerce. The new government corporation would retain the same name and would be subject to the policy guidance of the Department of Commerce but would not be subject to supervision by any department. The bill would:

Authorize the PTO to collect and spend all of the user fees authorized under current law to the extent provided in appropriations acts;

Establish positions for a Deputy Commissioner of Patents and a Deputy Commissioner of Trademarks to serve as policy and management advisors to the Commissioner of the PTO;

Require the Commissioner of the PTO to appoint an inspector general;

Exempt the PTO from the statutory and administrative ceilings on the number of employees the agency can hire;

Exempt the PTO from most personnel laws governing federal agencies;

Establish a 12-member Management Advisory Board to review the performance and policies of the PTO and to prepare an annual report to the Congress and the President on such performance; and

Provide the new corporation with borrowing authority subject to prior approval in appropriations acts.

Under current law the PTO grants a patent for a term of 20 years from the date of filing. The applicant, however, does not have protection from patent infringement until the patent is issued by the PTO. Title II would establish procedures to ensure that administrative delays by the PTO in granting a patent would not eat away at an applicant's patent term. Title II also would require the PTO to publish patent applications within 18 months of filing regardless of whether a patent has been granted. The bill would authorize the PTO to adjust certain fees to recover the cost of early publication.

If an inventor has used an invention at least one year prior to being patented by another party, the inventor may continue to use it without infringing on the patent. Title III would recognize such private prior use as a defense against patent infringement.

Invention marketing companies evaluate the market potential of inventions and offer patent and marketing services to individual inventors. Title IV would require these companies to include standardized disclosures in contracts between the companies and inventors. The title also would require these companies to submit quarterly reports to their subscribing inventors. Civil penalties would be established for violations.

Under current law an owner of a patent, the PTO Commissioner, or a third party can request the PTO to reexamine the validity of an existing patent. Title V would modify the current reexamination procedures to allow the Commissioner to review comments submitted by a third party on the merits of a patent. The title also would grant third-party requestors certain appeal rights but would limit the number of possible reviews by the PTO or a federal court. In addition, the bill would authorize the PTO to fine patent owners if they fail to respond to a request for reexamination of their patent.

The remedy for unauthorized manufacture or use of patented inventions by the United States government is a suit in the U.S. Court of Federal Claims for reasonable and just compensation. H.R. 3460 would expand the definition of reasonable and just compensation to include fees of attorneys and expert witnesses if the owner

of the patent is an individual, a nonprofit organization, or a company with less than 500 employees.

5. Estimated cost to the Federal Government: CBO estimates that enacting H.R. 3460 would result in net discretionary spending by the PTO totaling about \$1.3 billion over the 1997–2002 period, assuming appropriations of the necessary amounts. The bill would result in a net decrease in direct spending of \$159 million over the same period. The estimated budgetary impact of the bill is summarized in the following table.

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000	2001	2002
SPENDING SUBJECT TO APPROPRIATION							
Spending under current law:							
Estimated authorization level <sup>1</sup> .....	82	82	82	82	82	82	82
Estimated outlays .....	26	54	78	74	74	74	74
Proposed changes:							
Estimated authorization level .....		17	22	25	29	534	340
Estimated outlays .....		5	18	22	26	531	336
Estimated spending under H.R. 3460:							
Estimated authorization level <sup>1</sup> .....	82	99	104	107	111	616	422
Estimated outlays .....	26	59	96	96	100	605	410
CHANGES TO DIRECT SPENDING							
Patent and Trademark Office:							
Estimated budget authority .....		–17	–22	–25	–29	–34	–40
Estimated outlays .....		–17	–22	–25	–29	–34	–40
Claims, judgments, and relief acts:							
Estimated budget authority .....		3	1	1	1	1	1
Estimated outlays .....		3	1	1	1	1	1

<sup>1</sup> The 1996 level is the amount appropriated for that year. The estimated authorization levels for 1997–2002 reflect CBO baseline estimates for the PTO, assuming no adjustment for inflation.

The costs of this bill fall within budget function 370.

6. Basis of estimate: Under current law the PTO collects a number of user fees that are spent by the agency to the extent provided in advance in the appropriations acts. CBO assumes that over time the PTO would be authorized to spend all of the fees that the agency collects, except for the fees established by the Omnibus Budget Reconciliation Act of 1990. Hence, our current law projections show the estimated authorization levels for fiscal years 1997–2002 net of the user fees estimated to be collected and spent by the agency.

#### *Spending subject to appropriation*

H.R. 3460 would provide the PTO with the authority to issue bonds or other forms of indebtedness for purchase by the Treasury, subject to prior approval in appropriations acts. Based on information from the PTO, CBO estimates that the agency would issue bonds for purchase by the Treasury of about \$500 million in fiscal year 2001 and \$300 million in fiscal year 2002, assuming appropriation of the necessary amounts. The proceeds would be spent in those years to buy an estimated 2 million square feet of office space.

As explained below, enacting H.R. 3460 would result in collections of additional user fees, which would be reflected as a net decrease in direct spending. The bill would authorize the agency to collect an estimated \$167 million in additional fees over the 1997–2002 period, and CBO assumes that the agency would be author-

ized in appropriations acts to spend these additional fees. Because CBO expects a lag of several months between the time the PTO collects and spends the fees, we estimate that the agency would only spend \$138 million of the fees over the 1997–2002 period.

#### *Direct spending*

*Publication Fees.* H.R. 3460 would authorize the PTO to raise existing fees or establish a new fee to offset the cost of publishing the patent applications. Because the PTO would not be allowed to spend the additional fees without approval in appropriations acts, and collections would reduce direct spending. Based on information from the PTO, CBO estimates that the PTO would collect about \$145 million in publication fees over the 1997–2002 period.

*Reexamination Fee.* H.R. 3460 would ease restrictions on reexamination proceedings initiated by third parties, thus causing an increase in the number of proceedings. Based on information from the PTO, CBO estimates enacting H.R. 3460 would nearly double the number of reexamination requests, resulting in additional fee collections of about \$22 million over the 1997–2002 period.

The bill also would authorize the PTO to collect a new penalty fee if a patent owner does not respond to a request for a reexamination. CBO expects that any receipts from this new fee would not be significant.

*Claims, Judgments, and Relief Acts.* According to the United States Court of Federal Claims, about 30 cases of patent infringement are pending against the federal government at any one time. If H.R. 3640 were enacted, the Department of Justice would expect the number of cases to increase slightly because the plaintiffs' costs for attorneys and expert witnesses would be paid by the federal government under certain circumstances. Based on the value of past judgments, CBO estimates that enacting this bill would increase direct spending by about \$3 million in 1997 and about \$1 million in subsequent years. The estimate for 1997 is slightly larger because of a recent judgment against the United States by a company that would meet the qualifications stated in this bill.

7. Pay-as-you-go considerations: Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1998. CBO estimates that enacting H.R. 3460 would decrease direct spending by about \$14 million in fiscal year 1997 and \$21 million in fiscal year 1998 from the increased collections of certain fees, which would be partly offset by increased spending for claims and judgments. The following table shows the estimated pay-as-you-go impact of the bill.

[By fiscal year, in millions of dollars]

	1996	1997	1998
Change in outlays .....	0	– 14	– 21
Change in receipts .....		( <sup>1</sup> )	.....

<sup>1</sup> Not applicable.

8. Estimated impact on State, local, and tribal governments: H.R. 3460 contains no intergovernmental mandates as defined in Public Law 104–4 and would have no direct impact on the budgets of state, local, or tribal governments.

9. Estimated impact on the private sector: H.R. 3460 would impose new private-sector mandates, as defined in Public Law 104–4, by authorizing the PTO to raise or assess new fees for certain services it provides, and by placing requirements on providers of invention development services. First, the bill would impose higher costs on private-sector entities that use PTO services by enabling the Office to assess fees to offset the cost of publishing patent applications. Second, the bill would mandate that every contract for invention development services between invention developers and inventors be in writing and contain specific language. In addition, H.R. 3460 would require invention developers to produce and deliver reports containing specific information about the status of services provided to their customers at least once every three months throughout the term of the contract.

CBO estimates that the costs associated with new private-sector mandates in the bill would fall below the \$100 million threshold specified in Public Law 104–4. During the first five years that the mandates were effective, payments of new fees would total, on average, about \$20 million a year, and the costs imposed on providers of invention development services would not be significant because the additional requirements are modest and the industry is small.

10. Previous CBO estimate: None.

11. Estimate prepared by:

Federal cost estimate: Rachel Forward and Jonathan Womer;

State and local government impact: Leo Lex;

Private-Sector Impact: Matthew Eyles.

12. Estimate approved by: Robert A. Sunshine, for Paul N. Van de Water, Assistant Director for Budget Analysis.

#### INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee estimates that H.R. 3460 will have no significant inflationary impact on prices and costs in the national economy.

#### SECTION-BY-SECTION ANALYSIS AND DISCUSSION

##### *Section 1.—Short title*

This section entitles the Act as the “Moorhead-Schroeder Patent Reform Act.”

##### *Section 2.—Table of contents*

This section sets forth the table of contents for the bill.

#### TITLE I—PATENT AND TRADEMARK OFFICE GOVERNMENT CORPORATION

##### *Section 101.—Short title*

This section entitles this title the “Patent and Trademark Office Government Corporation Act of 1996.”

## SUBTITLE A—UNITED STATES PATENT AND TRADEMARK OFFICE

*Section 111.—Establishment of Patent and Trademark Office as a government corporation*

This section amends section 1 of title 35, United States Code (35 U.S.C. § 1) to establish the United States Patent and Trademark Office (hereinafter the PTO or the Office) as a wholly owned government corporation under chapter 91 of title 31, United States Code (31 U.S.C. § 9101 et seq.). The Office will continue to be under the policy direction of the Secretary of Commerce. As a body corporate and government agency, the Office will have the authority to direct its personnel, procurement, budget, and similar administrative functions in a manner consistent with the flexibilities required for business-like operations, without supervision by any department unless expressly provided for in the Act, but subject to the specific oversight provisions contained in the Act. Establishing the PTO as a separate entity under the policy direction of the Secretary of Commerce permits the Office to establish its own rules, regulations, and other processes. It is anticipated that the Office will achieve savings and efficiencies from its status as a wholly owned government corporation separate from the rules and procedures of departments and agencies of the United States Government, while allowing the Administration to achieve an integrated approach on patent and trademark policy and on general policies affecting jobs, trade and technology.

Subsection (a) establishes the United States Patent and Trademark Office as a wholly-owned government corporation under the policy direction of the Secretary of Commerce on all matters within his purview such as international treaties and agreements concerning patents and trademarks, domestic patent and trademark legislation, and issues involving interagency coordination.

Subsection (b) requires that the Office maintain its offices in the Washington, D.C. metropolitan area for purposes of service of process and authorizes the Office to establish satellite offices elsewhere as well. Venue in civil actions to which the Office is subject is established in the district in which the principal office is located.

*Section 112.—Powers and duties*

This section amends section 2 of title 35, United States Code (35 U.S.C. § 2) to provide the Office with the powers and authorities necessary to carry out its functions as a wholly owned government corporation.

Subsection (a)(1) provides that the PTO, as a sovereign agency of the United States, will be responsible for the granting and issuing of patents and the registering of trademarks. These functions are transferred to the Office under Section 123 of the Act. Article I, Section 8, paragraph 8 of the Constitution of the United States gives to the Congress the power to promote the progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries. The Constitution leaves to the discretion of the Congress the manner in which those rights are provided. Congress has authority under the Commerce Clause of the Constitution to provide a uniform trademark law for the United States and to designate a

body responsible for maintaining a register for protected marks. The PTO, as a wholly owned government corporation, will be able to carry out the functions necessary for the granting and issuing of patents and the registering of trademarks more efficiently and cost effectively than would be the case if the Office were subject to the limitations placed on taxpayer funded Departments and Agencies.

Subsection (a)(2) authorizes the Office to carry out studies, programs, exchanges of products and services regarding domestic and international patent and trademark law. In addition, the Office is responsible for its own administration and for other functions that are assigned to the Office by law, including any programs involving the recognition, identification, assessment, or forecast in connection with patented technology and its utility to industry.

Subsection (a)(3) makes the PTO responsible for cooperative studies and programs with foreign patent and trademark offices and international organizations related to the granting and issuing of patents and the registration of trademarks. The Office is authorized to transfer up to \$100,000 to the State Department, with the concurrence of the Secretary of State, for making payments to international intergovernmental organizations, such as the World Intellectual Property Organization, for studies and programs promoting international cooperation in connection with patents, trademarks, and related matters. The payments referred to may be in addition to other payments or contributions to these international intergovernmental organizations.

Subsection (a)(4) makes the PTO responsible for disseminating to the public information about patents and trademarks. This is done currently through the Patent and Trademark Depository Library program, the sale of electronic data to information vendors, and the provision of public access through the World Wide Web (the commercial multi-media component of the Internet, or national and global information infrastructure), as well as through other programs for the public. It is expected that these programs would continue and others would be developed. In fulfilling the responsibility set out under Subsection (a)(4), the Office should pursue policies that most effectively, efficiently, and broadly disseminate patent and trademark information. In so doing, the Office should continue to balance PTO direct services with its program that provides bulk data in electronic form for a fee to any member of the public wishing to buy it. The PTO program has been one of the most successful in government in terms of broad, far-reaching, efficient and effective dissemination of information. With regard to direct services, the Office should continue the policy which provides, for a fee, on-site direct access to the Automated Patent System (APS) in the public search room and in the Patent and Trademark Depository Libraries; and the policy which provides, for no cost to the user, access via the internet to bibliographic records of patents issued over the most recent 20 year period. The Office should continue the policy which provides bulk patent and trademark text and image data in electronic form, for a fee which is based on the cost of dissemination. A vigorous, competitive private sector patent information dissemination industry has emerged as a direct result of the Patent and Trademark Office's excellent bulk dissemination program. The

PTO should proceed with caution before creating any direct-to-end-user retail services because they could undercut the value of the bulk dissemination program and the value of the patent information products and services now sold.

Subsection (b) identifies the specific powers granted the PTO to carry out its functions efficiently and in a cost effective manner.

Subsection (b)(1) specifies that the Office shall have perpetual succession.

Subsection (b)(2) authorizes the PTO to adopt and use a corporate seal that is to be judicially noticed. All letters patent, trademark registration certificates, and other official papers issued by the Office are to be authenticated with the seal.

Subsection (b)(3) provides that the Office may sue and be sued in its own name. Wholly owned government corporations generally have "sue and be sued" status which is specific to the body corporate. The provision also specifies that the PTO generally may be represented by its own attorneys. The provisions regarding implementation of the Office's authority to sue and be sued are in section 7 of this title, which allows the Justice Department to represent the Office in lieu of the Office's own attorneys at the discretion of the Attorney General.

Subsection (b)(4) authorizes the PTO to indemnify all officers, employees and agents of the Office, including the members of the Management Advisory Board, against liabilities and expenses incurred within the scope of their employment.

Subsection (b)(5) authorizes the PTO to adopt, amend, and repeal any bylaws, rules, regulations, and determinations that govern the conduct of its business and the exercise of the powers granted to the Office by law. The adoption, amendment, and repeal of bylaws, rules, regulations, and determinations are to be made after notice and an opportunity for full participation by interested public and private parties. The purpose of any such adoption, amendment, or repeal should be to facilitate and expedite the processing of patent and trademark applications, particularly through the use of electronic media. The provisions of section 122 regarding the confidential treatment of patent applications are to be adhered to in any expedited processing. With regard to any bylaws, rules, regulations, and determinations regarding the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Office (the bar of the PTO), the PTO is expressly authorized to require, before granting recognition to anyone who wishes to represent others before the Office, that party show that he or she is of good moral character and reputation and is qualified to render applicants and others valuable service, advice, and assistance in procedures before the office. The power to recognize includes the power to revoke recognition once granted in accordance with the rules and regulations governing the conduct of those authorized to practice before the Office.

Subsection (b)(6) gives the PTO broad authority to manage its own real and personal property, or any interest in property. The Office is authorized to acquire, construct, purchase, lease, hold, manage, operate, improve, alter, and renovate any real, personal, or mixed property or any interest in such property, that it considers necessary to carry out the responsibilities assigned to it.



Subsection (b)(7) provides that the PTO may make purchases, contract for the construction, maintenance, or management and operations of facilities, and contract for supplies or services without regard to (1) the Federal Property and Administrative Services Act of 1949 (“FPAS”) (40 U.S.C. § 471 and following), (2) the Public Buildings Act of 1949 (40 U.S.C. § 601 and following), and (3) the Stewart B. McKinney Homeless Assistance Act (the McKinney Act) (42 U.S.C. §§ 11301 and following). Subsections (b)(7) (A) and (B) provide the PTO with authorities to oversee its own acquisitions.

The FPAS contains many detailed requirements that are not appropriate for businesslike operations of a fee-funded government corporation and that often impose substantial administrative costs. For example, the photocomposition procurement for the Patent and Trademark Office took over two and one-half years to complete resulting in wasted Office resources, necessitating sole-source extensions, and revisions of requirements to keep pace with technology advances. The Office, as a nontaxpayer-funded, fee-funded government corporation, has a responsibility to minimize operating costs while assuring a fair and competitive process that reduces the overall cost of acquisitions. The PTO is expected to follow prudent business practice that achieve the objectives of FPAS, such as obtaining effective competition, ensuring that prices for supplies and services are fair and reasonable, and that delivery times are reasonable. The Office remains subject to the oversight provisions in the Act, as well as existing ethics in government Acts.

The Public Buildings Act gives the Administrator of the General Services Administration (“GSA”) exclusive authority to acquire and manage office space for federal agencies. While this system may be justified for taxpayer-funded agencies, it is inappropriate and is not cost-effective when applied to nontaxpayer-funded government corporations which are created to operate intrinsically under businesslike principles. GSA may not always be able to respond to the PTO’s needs in a timely manner. To ensure timely and cost-effective space acquisition and management, the Office must have authority to act on its own behalf in appropriate circumstances. In addition, GSA imposes surcharges upon agencies for the provision of its services. Funds used to pay these surcharges could be better used by the PTO in conducting its business. Mandatory, rather than discretionary, GSA authority conflicts with the Office’s need to acquire its own space in a businesslike manner. This proposal is consistent with the current trend for GSA to be an asset management agency rather than a provider of services.

The McKinney Act requires that real property being disposed of by a federal agency must be screened by the Department of Housing and Urban Development to determine whether the property may be used by agencies assisting the homeless. Because any real property that the PTO might acquire would be paid for with patent and trademark fees, rather than with taxpayer moneys, it is inappropriate to apply the McKinney Act to disposal of PTO property.

Subsection (b)(7)(B) exempts the PTO from the requirements for printing and binding in sections 501–517 of title 44, United States Code (44 U.S.C. §§ 501–517) and from the requirements of executive and judiciary printing and binding in sections 1101–1123 of title 44, United States Code (44 U.S.C. §§ 1101–1123). There are in-

stances when it may be more efficient for the Office to have access to alternative printing sources. For example, the Office is developing the capability to print trademark registration certificates directly from its automated computer systems, making it unnecessary to obtain outside printing services. Without the exemption, the Office would be unable to realize the cost savings associated with this and future plans for technological improvement.

Subsection (b)(8) authorizes the PTO to use services, equipment, personnel and facilities of other United States departments, agencies, and instrumentalities with their consent and with reimbursement. The Office is also authorized to cooperate with other departments, agencies, and instrumentalities by allowing them the use of services, equipment, and facilities of the Office in a like manner.

Subsection (b)(9) authorizes the PTO, if it deems it appropriate, to obtain services from the Administrator of General Services under the same conditions that those services are made available to other agencies of the United States.

Subsection (b)(10) authorizes the PTO to use the services, records, facilities, or personnel of any State or local government agency or instrumentality, any foreign government, or any international organization, with their consent and that of the United States, to perform functions on its behalf.

Subsection (b)(11) provides the PTO with the authority to determine the character of, and necessity for, its financial obligations and expenditures and the manner in which they are incurred, allowed, and paid, subject to statutes expressly applicable to wholly owned government corporations; title 35, United States Code; and the Act of July 5, 1946 (commonly referred to as the "Trademark Act of 1946"). The PTO's use of its funds, therefore, would be subject only to the restrictions in its enabling law and in the relevant provisions of the Government Corporation Control Act and other laws specifically applicable to wholly owned government corporations. The Comptroller General no longer would certify the Office's obligations and expenditures. The Office would retain this authority. This method of operation is appropriate since the Office's funds derive from its own revenues and receipts, not from taxpayer funds.

Subsection (b)(12) authorizes the PTO to retain and use of all of the revenues, receipts, and other monies that arise from activities of the Office for the operations of the Office, subject to oversight provisions of the Act and the Government Corporation Control Act. Subsection (b)(12) clarifies that the Office's funding is derived principally from fees paid for the Office's services, which are set by Congress. Accordingly, Congress directly controls the budget of the PTO. Revenues are not derived from appropriated, general taxpayer funds. This statement recognizes current conditions of the Patent and Trademark Office. Since fiscal year 1993, the Office has relied upon user fees for all of its revenues. Except for restrictions on required surcharge fees under the provisions of section 10101 of the Omnibus Budget Reconciliation Act of 1990 (35 U.S.C. §41 note), all funding is available to the Office for the conduct of its affairs. The authority granted to the PTO in this charter is consistent with that prevailing prior to incorporation under this Act, excepting certain restrictions associated with the appropriation and

apportionment processes. Exemption from the apportionment process affords flexibility to the PTO in the management of its financial resources to enhance operating efficiencies.

Subsection (b)(13) gives the PTO the priority of the United States in connection with the payment of any debts from bankrupt, insolvent, and decedents' estates.

Subsection (b)(14) authorizes the PTO to accept gifts or donations of services and property. This provision mirrors those of 12 other Executive agencies and currently applies to the Patent and Trademark Office. The requirements of, and regulations establishing standards for ethical conduct for executive branch employees under Appendix 5 of title 5, United States Code, including those regarding the acceptance of gifts, will continue to apply to officers and employees of the PTO as will the provisions of Chapter 11 of Title 18 of the United States Code.

Subsection (b)(15) authorizes the PTO to execute any legal instruments necessary and appropriate for the exercise of its powers and authorities. Such execution shall conform to the bylaws, rules and regulations established by the office for the exercise of such powers and authorities.

Subsection (b)(16) authorizes the PTO, either by contract or through self-insurance, to provide for liability insurance and insurance against loss in connection with any of its property, other assets, or operations.

Under subsection (b)(17), the PTO's funds will be the source of payment of any settlement of or judgment on claims against the Office.

#### *Section 113.—Organization and management*

This section amends section 3 of title 35, United States Code, substituting new language. Subsection (a)(1) vests the management of the PTO in a Commissioner of Patents and Trademarks (the "Commissioner") who is appointed by the President, by and with the advice and consent of the Senate. The Commissioner must be a person who, by reason of knowledge of patent or trademark law and management experience, is specially qualified to manage the Office. While it is the intent of the Act that the PTO and the Commissioner control the policies, practices and operation of the Office in accordance with Presidential and Congressional direction and expectations, it is also the intent of the Act that whomever the President appoints, that individual be uniquely qualified to manage a government corporation that performs the important and essential function of granting and issuing of patents and registering trademarks.

Subsection (a)(2) establishes the duties of the Commissioner to include the managing and directing of the PTO, which includes the granting and issuing of patents and the registration of trademarks. Those duties are to be performed in a fair, impartial and equitable manner. This responsibility includes the establishment of the organization of the Office, the number and types of its offices and the filling thereof, ensuring equitable term and other properties inherent in patents issued by the Office, and the definition of the duties assigned to employees and officers of the Office. The Commissioner is charged with advising the President, through the Secretary of

Commerce, regarding all activities the Office undertakes on treaties and executive agreements entered into by the United States or that are related to cooperative programs with authorities of foreign governments regarding the granting of patents and the registration of trademarks. In addition, the Commissioner is to recommend to the President, through the Secretary of Commerce, any changes in the law or in policy that might improve U.S. citizens abilities to secure and enforce patent rights and trademark rights in the United States and abroad.

On issues involving the operation of the Office, the Commissioner is to consult with the Management Advisory Board (the "Advisory Board"), established in section 5 of title 35, United States Code (35 U.S.C. § 5). The Commissioner also shall consult with the Advisory Board before submitting budget proposals to the Office of Management and Budget, before changing patent or trademark regulations, and before proposing to Congress that it change patent and trademark user fees.

A program for identifying national security positions and providing for appropriate security clearances must be established by the Commissioner in consultation with the Director of the Office of Personnel Management.

Subsection (a)(3) sets the Commissioner's term at 5 years and whatever time thereafter is required for a successor to be appointed and confirmed and actually assume the office. The number of terms as individual may serve as Commissioner is not limited. The 5-year term ensures the continuity of the management of the Office, and is intended to foster the selection of a non-political appointee who is qualified to manage the detailed operations of the Office and to look after the integrity of the examining process.

Subsection (a)(4) requires that before assuming office, the Commissioner take an oath to discharge faithfully the duties of the Commissioner as the head of an agency of the United States.

Subsection (a)(5) sets the Commissioner's compensation at the rate of basic pay in effect for level II of the Executive Schedule under section 5313 of title 5, United States Code (5 U.S.C. § 5313).

Subsection (a)(6) prohibits removal of the Commissioner by the President except for cause. This restriction buttresses the non-political nature of the position to foster the selection of a Commissioner by the President who will be best qualified to oversee the fiscal elements of the office and who will be independently concerned with the integrity of the examination process. All national policy concerning patent and trademark protection remains vested in the Secretary of Commerce, who serves at the pleasure of the President. Therefore, the removal restriction does not preclude the President from dismissing an officer for failure to carry out his policies and accordingly does not impede the President's ability to perform his constitutional duty.

Subsection (a)(7) requires the Commissioner to designate an officer of the PTO who will be vested with authority to act as Commissioner in the event of absence or incapacity of the Commissioner. This assures the continuity of management of the Office.

Subsection (b) deals with the officers and employees of the PTO other than the Commissioner. Subsection (b)(1) requires the Commissioner to appoint a Deputy Commissioner for Patents and a

Deputy Commissioner for Trademarks, whose terms are co-extensive with the Commissioner's term. Each person is to have had demonstrated experience in the field of law for which he or she will be responsible. The Deputy Commissioner for Patents and the Deputy Commissioner for Trademarks are to advise the Commissioner on all activities of the Office that affect the administration of the section of the Office for which that Deputy is responsible.

Subsection (b)(2) requires the Commissioner to appoint officers, employees (including attorneys) and agents whom the Commissioner deems necessary to carry out the functions of the Office. The Commissioner is authorized to fix the rate of compensation for the officers and employees, except as the provisions of subsection (e) provide. Finally, the subsection authorizes the Commissioner to define the authority and duties of the Office's officers and employees and to delegate the powers required to carry out those duties. Subsection (b)(2) also makes it clear that it is Congress' intent that no administrative or statutory limitations on the number of positions or the number of personnel are to apply to the PTO and the none of the positions or personnel of the Office are to be taken into account in applying any such limitation to other departments and agencies of the United States Government.

Subsection (c) prohibits, unless otherwise provided by law, fixing the annual rate of basic pay for any officer or employee of the PTO at a rate that exceeds the annual rate of basic pay in effect for the Commissioner for the year concerned. The total compensation (above and beyond the rate of basis pay, e.g., including bonuses and merit rewards) payable to any officer or employee also may not exceed the annual rate of basic pay in effect for the Commissioner for the year concerned. The Commissioner is required to promulgate regulations necessary to ensure that these limits are maintained.

Subsection (d) exempts the Office and its employees from all of the provisions of title 5, United States Code, except for those specifically listed in subsections 113(e) and 113(f). The Office is still subject to section 3110, relating to employment of relatives; Subchapter II of chapter 55, relating to withholding pay; subchapters II and III of chapter 73, relating to employment limitations and political activities (the "Hatch Act"), respectively; chapter 71, relating to labor-management relations; section 3303, relating to political recommendations (the "Hatch Act"); subchapter II of the chapter 61, relating to flexible and compressed work schedules; chapter 81, relating to compensation for work injuries; subchapter III of chapter 83 and chapter 84, relating to the Federal Employees Retirement System; chapter 87, relating to life insurance; and chapter 89, relating to health insurance. To replace the rest of title 5, United States Code, the Office will engage in collective bargaining over compensation, leave and disciplinary procedures, and, consistent with Subsection (g), create its own employee relations and labor relations programs in line with title 5 merit principles.

Subsection (e)(2)(A) specifically requires the Office, consistent with chapter 71, United States Code, to bargain in good faith with its unions over basic pay and other forms of compensation subject only to exceptions set forth in Subsections (e)(2)(B). This subsection confers upon the Office's unions the right to bargain with the Office over its decisions regarding basic pay and compensation up to a

maximum which is defined as the annual rate of basic pay in effect for the Commissioner.

Subsection (e)(2)(B) specifically prohibits the Office and its unions from bargaining over benefits listed in paragraphs (1), (2), (3) and (4) of subsection (f). This subsection affords sole and exclusive rights to the Office to choose to supplement basic retirement benefits, health benefits, life insurance benefits or employee compensation benefits, beyond those guaranteed to the Office's employees under applicable sections of title 5, United States Code. No collective bargaining is permitted regarding supplemental benefits.

Subsection (e)(2)(C) prohibits of Office through collective bargaining from exceeding the limits on compensation set forth in subsection 113(c). While the Office is obligated to bargain regarding basic pay and compensation with its unions, the maximum amount of compensation is established by this Act.

Subsection (f) maintains eligibility for officers and employees of the Office to participate in the retirement and benefits programs under subchapter III of chapters 83 (Civil Service Retirement System), chapter 84 (Federal Employees Retirement System), chapter 87 (life insurance), chapter 89 (health insurance) and chapter 81 (compensation for work injuries) of title 5 except to the extent that the Office augments them. Any regulations needed to carry out these provisions shall be prescribed, as they are now, by the Office of Personnel Management. Government contributions and computations shall be made by the Office in the same manner as provided under sections 8334(a)(1), 8401(9), 8334(k)(1)(B), (8905(b), 8706(b) (1) or (2), 8708(d) and 8906(g)(2) of title 5. The Office remains responsible for reimbursing the Employees' Compensation Fund for compensation paid or payable after the effective date of incorporation.

Subsection (g)(1) requires the Office to establish an employee relations and a labor relations system that is exempt from all provisions of title 5, United States Code, except for those specifically listed in subsections 223(e) and 113(f). The Office has flexibility in establishing terms and conditions of employment, including employee benefits, rates of pay, performance-based compensation, and other terms and conditions of employment consistent with the requirements of these sections. Subsection (g) requires that such terms and conditions of employment must be consistent with merit principles now set forth in 2301(b) of title 5, provide veterans preference protections equivalent to those established by sections 2108, 3308–3318, and 3320 of title 5 and be consistent with chapter 71 of title 5, United States Code, particularly those provisions set forth in subsection (g).

The Office needs to establish its own regulations in order to have the flexibility to hire a well qualified work force. The current employment and compensation regulations limit that flexibility. It is imperative that the Office be able to attract and retain a high caliber of professionals learned in emerging technologies. There is an increasing demand for patent and trademark protection. Responding to that demand requires an ever-changing mix of legal and technical expertise. The Office needs the ability to establish different compensation and employment packages based on a scarcity

of patent and trademark examination and processing skills to respond to the demand.

Subsection (g)(2) provides for the continuation of all labor agreements that are in effect on the day before the effective date of the Act. Should any of the unions not have a labor agreement in effect on that date, terms and conditions of employment shall continue unless and until changed by the Office or as otherwise set forth in the Act.

Subsection (h) provides that all officers and employees of the current Patent and Trademark Office will become officers and employees of the United States Patent and Trademark Office on the effective date of the Act, without a break in service. In addition it sets forth the conditions under which individuals employed by the Department of Commerce shall be transferred to the Office on the effective date of the Act. Any amount of sick or annual leave and compensatory time accumulated under title 5, United States Code, before the effective date of the Act by employees covered in this subsection will become obligations of the Office. The subsection also provides that, as a transition, officers and employees of the Office who are terminated within 2-years of incorporation shall maintain the same rights and benefits the employee would have had if the termination had occurred immediately before the date of incorporation.

Subsection (h)(5) provides for the transition to the Office of the individuals serving as Commissioner of Patent and Trademarks, Assistant Commissioner for Patents, and Assistant Commissioner for Trademarks. Because the transformation of the Patent and Trademark Office into a government corporation will not alter the basic structure of the Office, and because the Commissioner of the PTO will assume nearly identical responsibilities to those of the current Commissioner, the appointment of the current Commissioner as the initial Commissioner for the government corporation would not violate the Appointments Clause of Article II of the Constitution and will provide for a smooth transition. For example, unlike the restructuring that took place when the board-led Federal Home Loan Bank Board was transformed into the Office of Thrift Supervision where the board was replaced by one officer, the PTO structure will remain virtually the same. New duties are conferred on the office, rather than on a particular officer, and the nature is not significantly transformed as far as the essential functions of the agency.

Subsection (i) allows employees of the Office to maintain for purpose of appointment to the competitive service elsewhere in the federal government, any competitive status that employee had acquired before the effective date of the Act. Employees of the Office will not be in the competitive service; consequently, they will not be able to acquire competitive status. This subsection allows employees of the Office who had already acquired competitive status before becoming employees of the Office to maintain such status.

Subsection (j) provides for the continuity of compensation, benefits and other terms of conditions of employment in effect immediately before the effective date of the Act to remain in effect until changed in accordance with this subsection. Subsection (j)(2) requires that basic pay for employees or officers may not be less than

that in effect on the effective date of the Act unless agreed to by their exclusive representative as a term of a collective bargaining agreement or for inefficiency, neglect of duty, or misconduct on the part of the individual. Under the Act, the Office's unions are permitted to bargain over basic pay. This subsection permits these negotiations to include the reduction in basic pay. It also permits the Office the flexibility to reduce basic pay as a corrective action for poor performance and misconduct by an individual employee or officer.

Subsection (k) requires the Office to establish a personnel system that does not permit the removal from federal service of patent examiners, examiners-in-chief, trademark examiners or members of the Trademark Trial and Appeal Board for any reason unless such removal promotes the efficiency of the Office. This provision is intended to protect quasi-judicial government officials who perform an essential government function from being exposed to outside influence or pressure by granting to them the title 5 protections against removal that they currently receive.

*Section 114.—Management Advisory Board*

Section 114 adds a new section 5 to title 35, United States Code to establish a Management Advisory Board for the PTO. Section (a)(1) specifies that the Board shall be comprised of twelve members. Four of the members are to be appointed by the President, four by the Speaker of the House of Representatives, and four by the President pro tempore of the Senate. No more than three of the four members appointed by each appointing authority may be members of the same political party.

Subsection (a)(2) sets the term of the Advisory Board's members at four years and no member may serve more than a single term. During the first appointment, each of the appointing authorities shall appoint one member for a term of one year, one for a term of two years, one for a term of three years, and one for a full term of four years.

Subsection (a)(3) requires that the President designate a member of the Advisory Board to serve as Chair for a term of three years.

Subsection (a)(4) requires that the appointment of members to the Advisory Board be made within three months of the effective date of the Act. Vacancies must be filled within three months of their occurrence.

Subsection (a)(5) specifies that vacancies on the Advisory Board are to be filled in the same way the original appointments were made. Those members appointed to fill a vacancy of a member who did not complete his or her term of appointment shall serve only for the remainder of that term. Members may continue to serve after their term expires until a successor is appointed.

Subsection (a)(6) requires that the Chair designate members of the Advisory Board to serve on a committee concerned with patent operations and a committee concerned with trademark operations. The members of these committees are to be responsible for the duties identified in subsection (e) in connection with patent operations and trademark operations, respectively.

Subsection (b) requires that those persons appointed to be members of the Advisory Board be citizens of the United States. The



members are to be chosen so that they reflect the interests of diverse users of the PTO. Among those chosen as members of the Advisory Board are to be individuals who have substantial experience and achievement in corporate finance and in management.

Subsection (c) makes the members of the Advisory Board special government employees within the meaning of section 202 of title 18, United States Code (18 U.S.C. § 202). Advisory Board members, therefore, will be subject to certain ethics laws governing representation of others before the United States during and following employment and participation in matters in which the party has a financial interest, as provided in sections 203, 205, 207, 208, and 209 of title 18.

Subsection (d) authorizes the Chair to call meetings of the Advisory Board and to establish the agenda for the meeting.

Subsection (e) requires the Advisory Board to review the policies, goals, performance, budget, and user fees of the PTO and to provide advice to the Commissioner on these matters. In addition, the Advisory Board is required to submit an annual report on the matters which it reviews to the President and to the Committees on the Judiciary of the Senate and the House of Representatives within 60 days of the end of the fiscal year. A copy of that report must be published in the PTO's Official Gazette.

Subsection (f) authorizes compensation for the members of the Advisory Board for each day (including travel time) during which they are attending meetings or conferences of the Advisory Board or are otherwise engaged in work on behalf of the Advisory Board. The rate of pay at which the members may be compensated is the daily equivalent of the annual rate of basic pay in effect for level III of the Executive Schedule under section 5314 of title 5. In addition, the subsection authorizes travel expenses, including per diem in lieu of subsistence for periods when the members must be away from their homes and regular places of business, as provided in section 5703 of title 5, United States Code.

Subsection (g) requires the PTO to provide members of the Advisory Board with access to records and information in the Office, except for personnel or other privileged information and information concerning patent applications required to be kept in confidence by section 122.

#### *Section 115.—Conforming amendments*

Subsection (a) repeals section 6 of title 35, United States Code (35 U.S.C. § 6), along with the heading for that section in the table of contents for Chapter 1 of title 35. The duties that were assigned the Commissioner under section 6 are replaced by the provisions of Sections 112 and 113 of this Act.

Section 31 of title 35, United States Code (35 U.S.C. § 31) and the heading for that section in the table of contents for chapter 3 are also repealed. The authority for issuing regulations and rules governing the recognition and conduct of agents, attorneys, or other persons representing applicants and other parties before the Office are replaced by the provisions of Section 112(b) of this Act.

*Section 116.—Trademark Trial and Appeal Board*

This section amends section 17 of the Act of July 5, 1946 (commonly referred to as the “Trademark Act of 1946”) (15 U.S.C. § 1067) to require, in subsection (a), that in every case of interference, opposition to registration, application to register as a lawful concurrent user, or application to cancel the registration of a mark, the Commissioner shall give notice to all parties and direct that the matter be decided by a Trademark Trial and Appeal Board.

Subsection (b) specifies that the Board will include the Commissioner, the Deputy Commissioner for Patents, the Deputy Commissioner for Trademarks, and other members who are competent in trademark law who have been appointed by the Commissioner.

*Section 117.—Board of Patent Appeals and Interferences*

This section amends section 7 of title 35, United States Code (35 U.S.C. § 7) to provide for a Board of Patent Appeals and Interferences in the PTO, composed of the Commissioner, the Deputy Commissioner for Patents, the Deputy Commissioner for Trademarks, and examiners-in-chief. The examiners-in-chief are to have competent legal knowledge and scientific ability.

Subsection (b) assigns to the Board of Patent Appeals and Interferences responsibility for reviewing written appeals from adverse decisions of examiners upon applications for patents and for determining priority and patentability of invention in interferences declared under section 135(a) of title 35, United States Code (35 U.S.C. § 135(a)). The decisions are to be made by panels of the Board, composed of at least three members, designated by the Commissioner. Subsection (b) also limits the authority to grant rehearings to the Board itself.

*Section 118.—Suits by and against the Office*

This section inserts a new section 7 to title 35, and provides for the renumbering of the existing sections.

Subsection (a)(1) of the new section 7 requires that any action against the PTO must arise under Federal law. Jurisdiction over civil actions by or against the Office is vested with the Federal courts.

Subsection (a)(2) applies the Contracts Disputes Act of 1978 (41 U.S.C. § 601 and following) to any action or proceeding against the PTO in which any claim is cognizable under such Act. The Commissioner is made the head of the agency for purposes of any contract claims arising in connection with the Office. Other actions or proceedings against the Office based on contract may be brought in an appropriate Federal district court, notwithstanding the provisions of title 28, United States Code.

Subsection (a)(3) establishes that any action or proceeding against the PTO in which any claim is cognizable under section 1346(b) and chapter 171 of title 28 are subject to the limitations and exclusive remedy available under the Federal Tort Claims Act. Other actions or proceedings against the Office founded upon tort may be brought in an appropriate Federal district court regardless of the provisions of section 1346(b) and chapter 171 of title 28, United States Code.

Subsection (a)(4) expressly prohibits certain legal processes, such as attachments, garnishment, liens, or similar processes from being issued against the PTO's property. This protection is currently available to the property of the United States under the Office's custody or control. This is necessary to protect Office property and prevent interference with the day-to-day operation of the patent and trademark examination system. Although the Office has waived its sovereign immunity, that waiver is limited and should not be construed as allowing relief in any proceeding against the Office's property. This protection against interference with important governmental operations is customary for wholly owned government corporations.

Subsection (a)(5) provides that the PTO will be substituted as a defendant in any action or proceeding brought against an employee of the Office, if the Office determines that the employee was acting within the scope of the employee's employment with the Office. This provision is intended to give employees the same protection from other legal actions that they currently have in tort cases. In the event that the Office refuses to certify the scope of employment, the officer or employee may petition the court at any time before trial for a determination regarding the scope of employment. If the court certifies that the employee was acting within the scope of his or her employment, the Office would be substituted as the party defendant. If subsection (3)(A) applies to the action or proceeding, section 1346(b) and chapter 171 of title 28, United States Code, will govern instead of this subsection.

Subsection (b) authorizes the PTO to be represented in actions or proceedings in which the Office is a party or in which an officer or employee of the Office is a party in his or her official capacity, by attorneys employed or contracted by the Office, without prior authorization from the Attorney General. Other government corporations have the autonomy to conduct their own business affairs, including litigation and settlement of claims, and the PTO, likewise, will have such authority.

Without regard for subsection (b)(1), under subsection (b)(2), the Attorney General may represent the PTO in any suit involving the Office where the Attorney General believes it is necessary. Also, in any case where the Office, through the Commissioner, so requests, the Attorney General may provide advice or represent the Office.

Subsection (b)(4) specifies that the Attorney General is to represent the PTO in any case before the United States Supreme Court.

Subsection (b)(5) authorizes attorneys employed by the PTO, who are admitted to practice to the bar of the highest court of at least one State in the United States or of the District of Columbia to represent the Office in any legal action or proceeding in which the Office is a party even though the attorney is not a resident of the jurisdiction in which the action or proceeding is taking place and regardless of any qualifications established by the court or administrative body before which the action or proceeding is conducted.

#### *Section 119.—Annual report of Commissioner*

This section amends renumbered section 14 of title 35, United States Code (35 U.S.C. § 14) to require the Commissioner to pre-

pare and submit to the Congress an annual financial and management report meeting the requirement of section 9106 of title 31, United States Code (31 U.S.C. § 9106). The required report will be deemed to be the report of the PTO under that section and a second report need not be filed.

*Section 120.—Suspension or exclusion from practice*

This section amends section 32 of title 35, United States Code (35 U.S.C. § 32) to authorize the Commissioner to designate any attorney who is an officer or employee of the PTO to conduct any hearing in connection with any suspension or exclusion from practice before the Office.

*Section 121.—Funding*

This section amends section 42 of title 35, United States Code (35 U.S.C. § 42(a)) and provides that the Office be paid all fees collected for services performed or materials furnished.

Section 42(b) provides that the PTO shall have the use of its moneys for the functions of the Office, subject to approval in appropriations acts, and that moneys not used to carry out the functions of the Office may be kept as cash on hand or on deposit, invested in obligations of the United States or guaranteed by the United States, or in obligations or other instruments which are lawful investments for fiduciary, trust, or public funds. Specific language determines that fees available to the Commissioner be used for processing patent applications and other services and materials; and fees available under the Trademark Act of 1946, 15 U.S.C. 1113, be used for the processing of trademark registrations and other services and materials.

Section 42(c) provides that the Office may borrow from the Secretary of Treasury and that such borrowing will be treated as a public-debt transaction of the United States. All borrowing shall be subject to advance approval in appropriations Acts of the Congress and cannot exceed amounts approved in such Acts. Any borrowing under this subsection shall be repaid only from fees paid to the Office and surcharges appropriated by the Congress.

*Section 122.—Audits*

This section amends chapter 4 of part I of title 35, U.S.C. by adding a new section 43, on audits, which specifies the basis upon which the accounting records of the Office will be maintained as well as the requirement for the preparation of annual financial statements. These statements will be subject to audit by an independent certified public accountant chosen by the Commissioner and conducted in accordance with standards that are consistent with generally accepted government auditing standards. The Commissioner shall transmit to the House and Senate the results of each audit.

The Comptroller General may review, audit, and have access to Office records. The Comptroller General reports to the Congress and the Office the results of any reviews. This section applies to the Office in lieu of the provisions of section 9105 of title 31.

*Section 123.—Transfers*

Subsection (a) transfers the functions, powers, and duties of the Patent and Trademark Office and the Department of Commerce with respect to the granting and issuing of patents and the registration of trademarks to the United States Patent and Trademark Office. The purpose of this section is to assure that the Office has the legal authority to perform all of the Office's functions and execute the laws that apply to the PTO.

Subsection (b) transfers to the PTO, on the effective date of the Act, all assets, liabilities, contracts, property, records, and unexpended and unobligated balances of appropriations, authorizations, allocations, and other funds and other items, employed, held, used, arising from, available to, or to be made available to the Department of Commerce, including any funds set aside for accounts receivable that are related to functions, powers, and duties that are vested in the PTO by this title

SUBTITLE B—EFFECTIVE DATE; TECHNICAL AMENDMENTS

*Section 131.—Effective date*

This section makes the title and amendments made by it effective four months after the date of enactment of the Act.

*Section 132.—Technical and conforming amendments*

Subsection (a) makes conforming amendments to headings and tables of contents in title 35, United States Code, reflecting the amendments.

Subsection (b) makes conforming and technical changes to statutes made applicable and inapplicable to the PTO, including the Government Corporation Control Act and the Federal Property and Administrative Services Act of 1949.

Subsection (b)(1) adds the PTO to the list of wholly owned government corporations. Several subsections change references to the "Patent Office" or the "Patent and Trademark Office" to the "United States Patent and Trademark Office." References to the "Commissioner of Patents" in several statutes are changed to the "Commissioner of Patents and Trademarks." Subsection (b)(20) amends section 8G(a)(2) of the Inspector General Act of 1978 (5 U.S.C. App. 3 §8G(a)(2)), to include the PTO as a "designated Federal entity," thereby authorizing the Commissioner to appoint the Inspector General of the Office.

SUBTITLE C—MISCELLANEOUS PROVISIONS

Subtitle C contains provisions which allow for the transfer of authority from the Patent and Trademark Office and the Department of Commerce to the United States Patent and Trademark Office established under this Act which are necessary for its operation as a sovereign agency of the United States, including references to the authority to operate, references in legal documents, continuance of suits and proceedings, administrative procedure and judicial review, transfer of assets, delegation and assignment, and the Office of Management and Budget's authority to oversee these transfers.

## TITLE II—EARLY PUBLICATION OF PATENT APPLICATIONS

*Section 201.—Short title*

This section provides a short title: “Patent Application Publication Act of 1996.”

*Section 202.—Early publication*

This section amends section 122 of chapter 11 of title 35. A new subsection (b), in subparagraph (1)(A), provides that applications for patent, except applications for design patents under Chapter 16 of title 35, provisional applications filed under section 111(b) of title 35 and the exceptions noted below, shall be published in accordance with procedures determined by the Commissioner, as soon as possible after the passage of 18 months from the earliest filing date for which a benefit is sought by the applicant under title 35. This includes any claim to the right of priority in accordance with sections 119, 365(a) and 365(b) of title 35 and any benefit of an earlier filing date in accordance with sections 120, 121 and 365© of title 35. An application that is filed more than 18 months after the earliest filing date for which a benefit is sought will be subject to immediate publication. Applications, filed under the Patent Cooperation Treaty, that enter the national stage in the United States will also be subject to this publication requirement. The publication requirements of this subsection are not intended to alter the practice accorded to reissue applications. The exclusion of provisional applications filed under section 111(b) of title 35 from the publication requirement precludes the early publication of such applications prior to the abandonment, by operation of law if not converted to a non-provisional application (see Section 601), of such applications twelve months after filing. At the request of an applicant, an application may be published earlier than passage of 18 months.

Subparagraphs (1)(B) and (1)(C) of the new subsection (b) also provide that the Commissioner shall determine what information is published and what information will be available after the publication at 18 months. Decisions on making information available between the date of publication and the date of issue are final and nonreviewable.

Subsection (b)(2) provides certain exceptions to the publication requirement in subsection (b)(1). Subparagraph (b)(2)(A) provides that applications that are no longer pending will not be published. Subparagraph (b)(2)(B) provides that applications subject to secrecy orders pursuant to section 181 of title 35 will not be published.

Subparagraph (b)(2)(C) provides an exception for independent inventors who file only in the United States. Upon the request of an applicant at the time of filing, publication will not take place until 3 months after the Commissioner makes a notification to the applicant under section 132 of title 35. This exception does not include applications filed pursuant to section 363 of title 35, applications asserting priority under sections 119 or 365(a) of title 35 or applications asserting the benefit of an earlier application under sections 120, 121, or 365(c) of title 35. Further, in a request for treatment under this subparagraph, an applicant must certify that the application was not and will not be the subject of an application filed in a foreign country and the applicant must have been ac-

corded the status of an independent inventor under section 41(h) of title 35. The Commissioner may establish appropriate procedures and fees for making a request in accordance with this subparagraph.

Subsection (c) establishes that the provisions of this section shall not operate to create any new opportunity for pre-issuance opposition and that the Commissioner may establish appropriate procedures to ensure that this section does not create any new opportunity for pre-issuance opposition that did not exist prior to the adoption of this section. The publication of applications at 18 months should not operate to allow third parties an opportunity to oppose an applicant's application. As under current law, the process of issuing a patent must be a process that involves only the applicant and the PTO.

*Section 203.—Time for claiming benefit of earlier filing date*

This section allows the Commissioner to require the early submission of a priority claim under section 119 of title 35 or the early submission of an amendment containing a specific reference to an earlier filed application under section 120 of title 35.

Section 119 of title 35 is amended, in subsection (b), by deleting time limits and adding a basis for establishing a waiver of claims for priority. Thus, the Commissioner is authorized to promulgate rules establishing time periods during the pendency of an application within a right to priority may be established. The failure of the applicant to file a timely claim for priority may be considered a waiver of any such claim, and the Commissioner may require the payment of a surcharge as a condition of accepting an untimely claim for priority during the pendency of an application.

Section 120 of title 35 is similarly amended by allowing the Commissioner to determine the time period during the pendency of an application within which an amendment containing a specific reference to an earlier filed application must be submitted. Additionally, the Commissioner may consider the failure to timely submit such an amendment as a waiver of any benefit under this section and to establish procedures, including the payment of a surcharge, to accept late submissions under this section.

*Section 204.—Provisional rights*

This section amends section 154 of title 35 by adding a new subsection (d), entitled "PROVISIONAL RIGHTS."

Paragraph (d)(1) provides that a patent shall include the right to obtain a reasonable royalty from any person who makes, uses, offers for sale, sells, or imports in the United States the invention as claimed in the published patent application between the time it is published and the time the patent is issued. Subsection (d)(1) further requires that the alleged misappropriator must have had actual notice of the published patent application from the application owner who is alleging misappropriation and, where necessary, a translation of an international application into the English language.

Subsection (d)(2) provides that the right to obtain a reasonable royalty under this section shall be available only if the invention claimed in the patent is substantially identical to the invention as

claimed in the published patent application. That is, at least one infringed claim in the published patent application must be substantially identical to at least one claim in the patent in order to obtain a reasonable royalty under this section. The requirement for “substantial identity” in this section is based, by analogy, upon the decisional law for establishing intervening rights under the reissue statute. In section 252 of title 35, the term “identical” has, heretofore, been used without qualification, but the courts have interpreted that term to encompass claims that are “substantially identical.” *Slimfold Mfg. Co., Inc. v. Kinkead Industries, Inc.*, 810 F.2d 1113, 1 USPQ2d 1563 (Fed. Cir. 1987). That standard has been adopted here for provisional rights and has now been explicitly codified in section 252 of title 35 by a conforming amendment. No change in the law of intervening rights is intended by that conforming amendment and it is intended that same standard be applied in the context of provisional rights.

The “invention as claimed in the published application” is defined by the claims present in the patent application on the date of publication or as amended thereafter. The claims in the Patent and Trademark office publication, as the nature, format, and content of that document is determined in accordance with requirement of section 122(b) of title 35, do not necessarily limit the right to obtain a reasonable royalty under this section as the claims in the application may have been amended as of the date of publication or thereafter. In any event, proper notice of those claims upon which a claim for reasonable royalty is based must have been given during the period in which provisional rights are available.

Subsection (d)(3) provides that the right to obtain a reasonable royalty shall be available only in an action brought within 6 years after a patent is issued and shall not be affected by the duration of the period beginning on the date of publication of an application and ending on the date a patent is issued. This provision is included to make clear that the time limitation on damages set forth in section 286 of title 35 shall not affect the ability to recover a reasonable royalty for the entire period of time from publication until issue even though that period may, itself, exceed 6 years. However, the new subsection further provides that the right to obtain a reasonable royalty for that period, however long, shall be available only within 6 years of issue of the patent.

Subsection (d)(4) provides that the right to obtain a reasonable royalty based upon the publication under the Patent Cooperation Treaty of an international application designating the United States shall commence from the date that the Patent and Trademark office receives a copy of the international publication of the international application, or, if the publication under the treaty of the international application is in a language other than English, from the date that the PTO receives a translation of the international application in the English language. These requirements are in accord with the requirements in Article 29 of the Patent Cooperation Treaty that may be imposed by national law.

#### *Section 205.—Prior art effect of published applications*

This section amends 102 of title 35 to provide a prior art effect for applications published pursuant to new subsection 122(b) and



international applications published under the Patent Cooperation Treaty and expands the prior art effect of patents based upon applications filed under the Patent Cooperation Treaty.

To that end, subsection 102(e) of title 35 is amended to include, as prior art, in paragraph (e)(1), inventions described in an application for patent, published pursuant to subsection 122(b) of title 35, by another filed in the United States before the invention thereof by the applicant for patent. The effective date as prior art for inventions described in application for patent which is only published pursuant to subsection 122(b) will be the date the application is actually filed in the United States, and not any filing date to which it might be entitled under the Paris Convention for the Protection of Industrial Property or the Patent Cooperation Treaty. Amended subsection 102(e) also provides that an international application filed under the Patent Cooperation Treaty shall have the effect of a national application published under section 122(b) of title 35 only if the international application designates the United States and is published under Article 21(2)(a) of the Patent Cooperation Treaty in the English language. Amended subsection 102(e) of title 35 continues to include, as prior art, in paragraph (e)(2), inventions described in a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, but deletes the language extending to a prior art effect to a patent granted on an international application filed by another under the Patent Cooperation Treaty. This is no longer necessary in view of the extension of a prior art effect to the underlying published application pursuant to paragraph (e)(1).

*Section 206.—Cost recovery for publication*

The Commissioner shall recover the cost of early publication by the amendment made in section 202 by adjusting the filing, issue, and maintenance fees under title 35, United States Code, by charging a separate publication fee, or by any combination of these methods.

*Section 207.—Conforming changes*

Section 11 of title 35, United States Code, is amended by inserting “and published applications for patent” after “Patents”.

Section 12 is amended in the section caption by inserting “and applications” after “patents” and by inserting “and published applications for patents” after “patents”.

Section 13 is amended in the section caption by inserting “and applications” after “patents” and by inserting “and published applications for patents” after “patents”.

The items relating to sections 12 and 13 in the table of sections for chapter 1 are each amended by inserting “and applications” after “patents”.

The table of sections for chapter 11 of title 35, United States Code, is amended in the item relating to section 122 by inserting “; publication of patent applications” after “applications”.

The table of sections for chapter 14 of title 35, United States Code, is amended in the item relating to section 154 by inserting “; provisional rights” after “patent”.

Section 181 of title 35, United States Code, is amended in the first paragraph by inserting “by the publication of an application or” after “disclosure” and “the publication of an application or” after “withhold.” The second paragraph is amended by inserting “by the publication of an application or” after “disclosure of an invention.” The third paragraph is amended by inserting “by the publication of the application or” after “disclosure of the invention.” Further, the third paragraph is amended by inserting “the publication of the application or” after “withhold.” Still further, the fourth paragraph is amended by inserting “the publication of an application or” after “and” in the first sentence.

Section 252 of title 35 is amended in the first undesignated paragraph by inserting “substantially” before “identical” each place it appears. This change, referred to above in the discussion relating to provisional rights in Section 204, is not intended to change the law of intervening rights but rather is intended only to codify existing decisional law.

Section 284 of title 35 is amended by adding at the end of the second paragraph the following: “Increased damages under this paragraph shall not apply to provisional rights under section 154(d) of this title.” This amendment has been made because the willfulness necessary for the award of increased damages cannot exist in the context of provisional rights because the fact of infringement cannot be determined until a patent has issued. That is, there can be no willful infringement in the period for which provisional rights may be available because “infringement” within that period can only be defined by the terms of the patented claims that are, of course, not available until a patent issues.

Section 374 of title 35 is amended such that the publication under Patent Cooperation Treaty, of an international application designating the United States shall confer the same rights and shall have the same effect under this title as an application for patent published under section 122(b) of this title, except as provided in section 102(e) and 154(d) of title 35.

*Section 208.—Patent term extension authority*

Section 208 amends § 154(b) of title 35 to provide patent term compensation for those diligent patent applicants who experience delays beyond their control in the process of getting their patents issued. Section 154(b)(1)(A)(i) provides that a patent applicant will receive compensation for any time lost due to an interference proceeding under § 135(a) of title 35. Section 154(b)(1)(A)(ii) provides that a patent applicant will receive compensation for any time lost due to the imposition of a secrecy order pursuant to § 181 of title 35. Section 154(b)(1)(A)(iii) provides that a patent applicant will receive compensation for any time lost due to appellate review by the Board of Patent Appeals and Interferences or by a federal court where the patent was issued pursuant to a decision in the review reversing an adverse determination of patentability. Section 154(b)(1)(A)(iv) provides that a patent applicant will receive compensation for any time lost due to an “unusual administrative delay” by the PTO in issuing the patent.

“Unusual administrative delay” is strictly defined to impose an objective time clock on the PTO in issuing a patent. Any time the

PTO takes in excess of the stated minimums is automatically and fully compensated. An unusual administrative delay is defined as the failure of the PTO to: (I) make a notification of the rejection of any claim for a patent or any objection or argument under section 132 of this title or give or mail a written notice of allowance under section 151 of title 35 not later than fourteen months after the date on which the application was filed; (ii) respond to a reply under section 132 of this title or to an appeal taken under section 134 of this title not later than four months after the date on which the reply was filed or the appeal was taken; (iii) act on an application not later than four months after the date of a decision by the Board of Patent Appeals and Interferences under sections 134 or 135 of this title or a decision by a Federal court under sections 141, 145, or 146 of this title where allowable claims remain in an application; or (iv) issue a patent not later than four months after the date on which the issue fee was paid under section 151 of this title and all outstanding requirements were satisfied.

The constraint upon the PTO in section 154(b)(1)(B)(i), does not imply that a written notice of allowance under section 151 of title 35 must be given or mailed not later than 14 months after the date on which the application in issue was filed. Rather, this constraint could be satisfied if a notification of the rejection of any claim for a patent or any objection or argument under section 132 of title 35 is made not later than 14 months after the date on which the application in issue was filed.

Section 154(b)(2)(A) provides that the total duration for extensions granted under subsections (i) and (ii) of § 154(b)(1)(B) shall not be limited and that the total duration for extensions granted under subsections (iii) or (iv) or both shall not exceed ten years. Section 154(b)(2)(A) also provides that overlapping delays should not be double counted.

Section 154(b)(2)(B) provides that extensions will not be granted where the patent applicant fails to take reasonable efforts to conclude prosecution of the application. The few applicants who engage in intentional or unjustifiable delay tactics will not be rewarded for such behavior. The PTO is required to prescribe the regulations necessary to carry out the mandate of this subsection. Section 154(b)(2)(C) provides that no patent the term of which has been disclaimed beyond a specified day may be extended under this section beyond the expiration date specified in the disclaimer. The "reasonable efforts" clause is an effort to avoid the submarine patent problem. The intent of the Committee is that only the most egregious and obvious delay tactics will go unrewarded by this provision.

In prescribing regulations to carry out the provisions of this section, the PTO should ensure that in those cases where an appeal of an adverse determination of patentability is filed or an interference is declared, the extension to be granted for a successful appeal or for the interference proceeding should be equal to the time from filing or declaration until an applicant is notified of the conclusion of the proceeding. The regulations should also provide that a patent applicant who exercises reasonable efforts is eligible for one form or another of term compensation throughout the prosecution of the application. That is, there should be no time period

where a diligent patent applicant may lose term for reasons beyond his or her control without an opportunity for compensation.

*Section 209.—Examining procedure improvements; further limited reexamination of patent applications*

This section mandates that the Commissioner prescribe regulations to provide for the further limited reexamination of an application for patent and provides the Commissioner the authority to establish appropriate fees for such further limited reexamination and to provide a 50 percent reduction on such fees for small entities that qualify for reduced fees under section 41(h)(1) of title 35. This section is intended to simplify the continued prosecution of patent applications after a final rejection has been entered, extending to all applications the transitional practice introduced in P.L. 103–465, section 532(a)(2).

*Section 210.—Last day of pendency of provisional application*

This section amends section 119(e) of title 35 by providing that if the day that is 12 months after the filing date of a provisional application falls on a Saturday, Sunday, or legal holiday as defined in rule 6(a) of the Federal Rules of Civil Procedure, the period of pendency of the provisional application shall be extended to the next succeeding business day. This amendment is intended to address and resolve the so-called “last day trap” for provisional applications. Because the requirement for filing a non-provisional application that claims priority of a provisional application under section 119(e) of title 35 relies upon both copendency and action taking, the remedy of section 21(b) of title 35 is not available for the filing of that non-provisional application and an applicant may be confronted with this “last day trap.” This amendment resolves this problem.

*Section 211.—Reporting requirement*

Section 211 requires the PTO to report to Congress by April 1, 2000, and every year thereafter, on the impact of that publication of applications has on independent inventors.

*Section 212.—Effective date*

Sections 202 through 207, and the amendments made by those sections, shall take effect on April 1, 1997, and shall apply to all applications filed under 35 U.S.C. § 111 on or after that date and all applications complying with 35 U.S.C. § 371 that resulted from international applications filed on or after that date. Sections 204 and 205 shall also apply to international applications designating the United States that are filed on or after April 1, 1997.

Sections 208 through 210, and the amendments made by those sections, shall take effect on the date of enactment of the Act and, except for design patent applications filed under chapter 16 of title 35, shall apply to any application filed on or after June 8, 1995.

TITLE III—PRIOR DOMESTIC COMMERCIAL USE

This title provides a defense to patent infringement based on prior use of a patented invention to certain circumstances. The bill clarifies the rights of a party who had used an invention (a “prior

user”) vis-a-vis a party that subsequently patents the invention. Under this title, a person, who prior to the effective filing date of a patent, has been commercially using the claimed invention or has made effective and serious preparation for commercial use of such an invention, will have a defense if that party is charged with patent infringement based on the prior use. The provisions of this title will permit the prior user to continue the use of the invention even though it is claimed in a subsequently granted patent.

*Section 301.—Short title*

This section provides that the title may be cited as the “Prior Domestic Commercial Use Act of 1996.”

*Section 302.—Defense to patent infringement based on prior domestic commercial use*

This section adds a new section 273 to Chapter 28 of title 35, United States Code, which establishes a defense to a claim of patent infringement where a person has commercially used or made serious preparations to use commercially an invention that later becomes the subject matter of a patent issued to another. Such commercial use or preparation for commercial use must have occurred at least one year prior to the earliest effective filing date to which the subject matter at issue is entitled.

Subsection (a) of the newly added section 273 defines the terms “commercially used,” “commercially use,” and “commercial use” to mean that the subject matter actually claimed in the subsequently granted patent has, in fact, been used in the United States in the design, preparation, manufacture, or testing of a product or service that is used in commerce in the United States. Commercial use does not require that the invention itself be publicly disclosed or that it be in any way publicly accessible.

The subsection defines “used in commerce” and “use in commerce” as meaning that an actual sale or other commercial transfer of the claimed invention has taken place or that an actual sale or other commercial transfer of a product or service resulting from the use of the invention has taken place. Determining whether an activity would constitute commercial use should be construed to include activities that individuals in a particular industry would consider commercial in nature. For example, sale of a software product that consists of a license authorizing the copying and use of a computer program and providing terms regarding proprietary information embedded in the program, in conjunction with a copy of the object code representing the compiled computer program on a computer readable medium, would be viewed as “commercial use” under subsection 273(a)(2).

The “effective filing date” of a patent is defined in subparagraph 273(a)(3) as the actual filing date of the application in the United States or, if such an earlier filing date is claimed, the earlier filing date claimed, and to which the subject matter is entitled, under section 119, 120, or 365.

Subsection (b) of Section 273 provides that a prior user of a patented invention will not be liable as an infringer under section 271 of title 35 if certain requirements are met. The prior user, acting in good faith, must have commercially used the invention, as de-

financed by one or more claims of the patent being asserted against the prior user, in the United States or made effective and serious preparation for its commercial use prior to the effective filing date. It is important to recognize that the prior user right is a defense that can be asserted in response to a claim of infringement. The prior user right is not a license under the patent and, therefore, does not create an obligation to pay a royalty or other compensation to the patent holder.

Subparagraph (b)(2) makes it clear that a party who purchases the subject matter claimed in a patent, or a product or service produced using the subject matter claimed in a patent from a person entitled to assert prior user rights in connection under this section, would not be liable to the patent owner for patent infringement any more than the party would be if he had purchased from the patent owner. One who has the right to assert a prior user defense would be able to sell the subject matter claimed in a patent or the product or service produced using that subject matter without liability to the patent owner for patent infringement. It follows that, if the prior user's activities were not infringing, the purchaser of the products or services resulting from those non-infringing activities would not be liable for using that which was purchased.

Subsection (c)(1) of new Section 273 makes it clear that the prior user defense is not available to a person who derived the subject matter on which the defense is claimed from the patentee or from one in privity with the patentee. The prior user does not have to be a prior inventor in order to assert a defense based on prior use. Prior user rights may be claimed whether the party asserting the right conceived the invention or a third party conceived the invention, so long as the technology that is the basis of the prior use defense was not obtained directly or indirectly from the patentee.

Subparagraph (c)(2) provides that the prior user defense does not have the effect of a general license under the patent. The right extends only to what was actually in commercial use by the prior user, or had been used by the prior user in the design, testing, or production in the United States of a product or service which is used in commerce. Variations in the quantity or volume of the prior use are protected by the right as are improvements in the claimed subject matter that do not infringe additional claimed subject matter of the patent. In other words, if the prior user must infringe additional claims of the patent in order to implement an improvement in the claimed subject matter, the prior user would not be able to rely on the defense provided in this section. To determine whether an alteration in the "commercial use" would infringe additional claims of a patent, one should first determine which claims of the patent would have been infringed by the original prior use but for the operation of section 273(b). If the prior user alters its activities after the filing date of the patent application in a way that would infringe claims other than those identified above, the prior user will be liable for patent infringement with respect to those additional claims.

It is not the intent of the legislation to limit the prior use defense only to instances in which actual commercial use can be demonstrated. Under subsection (c)(3), the defense would also be available to a prior user who can prove that he or she has actually re-

duced the subsequently patented invention to practice at least one year prior to the filing date of the patent covering that invention, has made a significant investment or a substantial portion of the total investment necessary to use the subject matter, and has made a commercial transaction in the United States in connection with the preparation to sue the subject matter. In addition, the person must have completed in diligent fashion the remainder of the activities and investments needed to commercially use the subject matter. These latter activities can have taken place after the effective filing date of the patent application so long as they are pursued diligently.

Subsection (c)(4) makes it clear that the burden of proof is on the person asserting the defense. The prior user must provide evidence to establish each of the conditions precedent to the defense. To prove that the necessary investment has taken place, the party asserting the defense must show that substantial investment was made in equipment, testing, advertising, or other preparation for commercializing the invention. Documentation and commercialization plans must be sufficiently developed and in sufficient detail to prove the rights claimed. For example, in the pharmaceutical industry, evidence that a prospective new drug had been cleared for clinical trials prior to the effective filing date would be sufficient to show effective and serious preparation. In the chemical industry, effective and serious preparation would require evidence proving that a substantial investment had been made, for example, in reactors or process equipment designed to employ or manufacture the invention. Evidence of actions that amount merely to conceiving the invention, development of the invention on a laboratory, experimental, or reduction of an invention to practice, without evidence of subsequent efforts to use the invention commercially and to make the necessary investments to commercialize the invention, would not be adequate to satisfy the test for effective and serious preparation.

Subsection (c)(5) provides that the defense of prior use is not available if a person has abandoned commercial use of the subject matter. Regardless of the degree of commercial use or serious and effective preparation which might have occurred at an earlier point in time, a defense based on prior user rights may not be invoked if such commercial use was in a state of abandonment, or abandoned after the effective filing date. If the prior use is abandoned after the effective filing date, it is the intent of this section that the prior user right shall be a defense to infringement for the time of commercial use between the effective filing date and abandonment. As the term is used in connection with this legislation, abandonment refers to cessation of use with no intent to resume. Certain activities, however, are naturally periodic or cyclical. Intervals of non-use between such periodic activities such as seasonal factors or reasonable intervals between contracts, shall not be considered abandonment so long as there is no positive corroborating evidence of abandonment.

Subsection (c)(6) makes clear that the ability to assert a right of prior use is a personal right and cannot be licensed, assigned, or transferred to any other person except to the patentee, or as part of the assignment or transfer, in good faith, of the entire enterprise

or business to which the defense relates. This subsection is intended to permit a business to continue to use the subject matter related to the defense in circumstances in which there has been a good faith transfer of the entire enterprise or business but to prohibit any attempt to sell or license the defense itself.

Subsection (c)(7) provides that, to assert a defense of prior use, a person, or someone in privity with that person, must have been using the subject matter commercially or have reduced the subject matter to practice more than one year prior to the effective filing date of the patent.

Subsection (d) is intended to ensure that the defense is raised only in circumstances in which its assertion is reasonable. The subsection requires that a court find the case exceptional and award attorney's fees under section 285 of title 35, United States Code, if the defense is pleaded by a person who is found to infringe a patent and who fails to show a reasonable basis for asserting the defense.

Subsection (e) provides that a patent cannot be deemed to be invalid under section 102 or 103 of title 35 solely because a defense is established under section 273(b). Any determination under section 102 or 103 must be established separately, although evidence used to establish a defense of prior use could be used in connection with establishing invalidity under those sections.

Subsection (b) of section 302 of the Act amends the table of sections at the beginning of chapter 28 of title 35 to add the heading for section 273, "Prior domestic commercial use; defense to infringement."

### *Section 303.—Effective date and applicability*

This section makes the amendments provided for in title III effective on the date of enactment of the Act. The section specifies, however, that the amendments shall not apply to any action for infringement pending on the date of enactment or to any subject matter for which an adjudication of infringement, including any consent judgment, was made before the date of enactment.

## TITLE IV—INVENTOR PROTECTION

### *Section 401.—Short title*

This section provides that the title may be cited as the "Inventor Protection Act of 1996."

### *Section 402.—Invention development services*

This section adds a new chapter 5 to Part I of title 35, United States Code, consisting of sections 51 through 59. Invention development companies can be of great assistance to independent inventors providing a single source to evaluate an invention, assist in developing its technical potential, assist in obtaining protection for it, and assist in promoting it in order to license or sell it. While many invention developers are legitimate, the unscrupulous ones take advantage of untutored inventors, asking for large sums of money up front for which they provide no real service in return. This new section provides a much needed tool for independent inventors to use



if they are the target of the predatory practices of unscrupulous invention development companies.

New section 51 of title 35 defines the terms used in the chapter. The terms used in the chapter are defined broadly in order to ensure that organizations that would prey upon inventors cannot escape the reach of the chapter merely by using titles and business descriptions artfully. Subsection (3), however, excepts from the definition of “invention promoter” departments and agencies of the Federal, state, and local governments; charitable, scientific, or educational organizations qualified under applicable State laws or described under section 170(b)(1)(A) of the Internal Revenue Code of 1986; or any person registered and in good standing with the U.S. Patent and Trademark Office (PTO) who is acting within the scope of his or her registration to practice before the PTO.

The Committee is in agreement that the exclusion provide for in § 51(3)(c) does not totally exempt patent attorneys from regulation under the act. The exception provides that any person registered to practice before the Patent and Trademark Office is exempt from regulation when acting within the scope of that person’s registration to practice before the Patent and Trademark Office. However, the Committee recognizes that patent attorneys may provide services which fall outside the scope of their registration to practice before the Patent and Trademark Office and within the definition of invention development services. Whenever a patent attorney engages in conduct described in § 51(4)(B) and (C), he or she will be subject to the provisions of this act.

New subsection 52(a) requires that contracts for invention development services be in writing and that a copy of the signed contract be provided to the customer at the time he or she enters into the contract. Even in the event the contract is entered into on behalf of a third party, that third party is to be treated as a customer and the provisions of the chapter apply.

Subsection 52(b) requires invention developers to provide to customers at the time a contract is entered into a written document stating whether the developer customarily seeks more than one contract in connection with an invention and seeks to perform services in connection with an invention in 1 or more phases, using 1 or more contracts governing the performance at each phase. In addition, invention developers must provide the customer with a copy of the written contract together with a summary, in writing, describing the developer’s usual business practices, including the customary terms in contracts and the approximate amount of the usual fees or other consideration that the customer will be charged for each service provided by the invention developer.

Subsection 52(c) provides the customer with the right to terminate a contract for invention development services by sending a letter to the invention developer stating the customer’s intent to cancel. This right may not be waived in the contract for invention development services. To execute the right to terminate, the customer must send the letter within five business days after both the customer and the inventions developer execute the invention development contract. It is the intention of the Congress to give the customer a “cooling off” period in which the customer can effectively change his or her mind. The delivery of a promissory note, check,

bill of exchange, or other negotiable instrument to the invention developer or a third party for the benefit of the invention developer is deemed payment received by the invention developer on the date received, even though the date or dates in such instruments differ from the date of receipt.

New section 53(a) of title 35 requires that every contract for invention development services include a cover sheet with the notice included in the legislation in legible, bold-face type of not less than 12-point size, explaining the right of termination; giving information regarding the number of inventions evaluated by the invention developer and stating the number of those evaluated positively and the number negatively; advising the customer that assigning rights to the invention developer can allow sale or other disposal of the invention by the latter without sharing the profits; advising the customer of the number of customers who have contracted for services with the invention developer in the prior five years and how many of them have earned more than the cost of the services due to the performance of the invention developer; informing the customer of the invention development companies with which the invention developer's officer have been affiliated in the previous ten years to enable the customer to check out the reputations of these companies; and encouraging the customer to consult an attorney before entering in the contract and advising that rights can be lost by proceeding pro se before the PTO.

Subsection 53(b) requires that the cover notice, in addition to the obligatory text, include the name, primary office address, and local office address of the invention developer. The subsection prohibits inclusion of other matter.

Subsection 53(c) allows the invention developer to delete from the total number of customers who have contracted with the organization provided for in subsection 53(a) the customers who have purchased trade show services, research, advertising, or other non-marketing services from the invention developer. The invention developer also need not include those who have defaulted in their payments under invention development contracts.

Subsection 54 of title 35 requires the invention developer to provide each customer who has contracted for invention development services a written report at least once every three months during the term of the contract. The report must describe fully, clearly, and concisely, the services performed by the invention developer on behalf of the customer during the report period and the services to be performed, giving the names of the persons who will perform those services. The report must include the name and address of each person, firm, corporation, or other entity to whom the invention that is the subject matter of the contract has been disclosed, the reason for the disclosure, and the nature of the disclosure. Where more than one person has been contacted in a particular corporation or entity, it will suffice to include the name and address of one of the people contacted and of the corporation or entity. Copies of all responses received as a result of the disclosure must be provided. The purpose of this section is to ensure that the customer is kept fully informed of the services being performed on his or her behalf and the results of those services so that the cus-

customer may take appropriate action if they are not receiving the service required under the contract.

New subsection 55(a) requires that all contracts for invention development services include, in bold-face type of not less than 12-point type: the terms and conditions of payment and the contract termination rights required by section 52; a statement making it clear that the contract is not executed until the customer makes a payment to the invention developer and, therefore, the customer can avoid executing the contract by not making such a payment; a complete, clear, and concise description of the specific acts and services that the invention developer is to perform for the customer; a clear statement indicating whether the invention developer is going to construct, sell, or distribute any prototypes, models, or devices embodying the customer's invention and, if so, how many; the full name and principal place of business developer and, to the extent known at the time the contract is entered into, the name and principal place of business of any parent, subsidiary, agent, independent contractor, and any affiliated company or person who will perform any service or act that the invention developer has undertaken to perform for the customer; a statement of any estimation or projection of customer earnings resulting from the invention that has been given orally or in writing by the invention developer or anyone on behalf of the invention developer, and a full description of the data on which that estimation or projection was based; the name and address of the organization or person who is to be the custodian of all the records and correspondence related to the contracted for invention development services and an unequivocal statement acknowledging that the invention developer is required to maintain all such records and correspondence for the customer for at least two years following the expiration of the invention development services contract; and a statement of the time schedule for performance of the invention development services with an estimated date by which the performance of services is expected to be completed. It is the intent of this legislation that the invention developer ensure that all material information be provided to the customer so that the customer can make an informed decision in entering into any contract for development services.

Subsection 55(b) makes it clear that, if the invention developer has discretion regarding the nature of the specific acts and services the invention developer is to perform for the customer, as those acts and services are described in the contract, the invention developer will be deemed to be fiduciary with all corresponding obligations with respect to the customer.

Subsection 55(c) requires that, within 7 days of written notice to the invention developer or the custodian of records and correspondence identified in the contract for invention development services, such custodian must make available to the customer or the customer's representative for review and copying all records and correspondence related to the invention development contract. The review and copying shall take place on the invention developer's premises during normal business hours and any fees for copying shall be reasonable.

Subsection 56(a) authorizes the customer to declare void any contract for invention development services that does not conform to

the requirements of chapter 5 of Part I of title 35, United States Code. In addition, the subsection authorizes the customer to void any contract entered into in reliance on any false, fraudulent, or misleading information, representation, notice, or advertisement of the invention developer that is material where the contract provides for filing an application to obtain a utility, design, or plant patent. An exception exists where the contract makes it clear that the filing of such application will be done by an agent or attorney registered to practice before the PTO and such filing is, in fact, performed by such agent or attorney. Finally, subsection 56(a) makes void and unenforceable any waiver by a customer of any provision required by chapter 4.

Subsection 56(b) establishes a civil cause of action against any invention developer who injures a customer through a violation of any of the obligations of chapter 5 or through any false or fraudulent statement, representation, or omission of material fact by the invention developer, or any person acting on behalf of the invention developer, or through failure of the invention developer to make all the disclosures required under the chapter. In such a civil action, the customer may recover from the invention developer, or any officers, directors, or partners of such developer, reasonable costs, attorneys' fees, and the greater of \$5000 or the amount of actual damages sustained by the customer. Subsection (b) authorizes the court to increase damages in egregious cases to an amount not to exceed 3 times the amount awarded as statutory or actual damages.

Subsection 56(c) establishes a rebuttable presumption of injury in the event of any substantial violation of chapter 5 by an invention developer or of execution of an invention development services contract by a customer in reliance on any false or fraudulent statements, representations, or material omissions by the invention developer or any person acting on behalf of the invention developer.

Subsection 57(a) requires the Commissioner of the PTO to retain all complaints submitted to the PTO regarding invention developers, together with any responses by invention developers to those complaints, and to make such complaints and responses available to the public.

Subsection 57(b) authorizes the Commissioner to request from Federal and State agencies copies of any complaints relating to invention development services they have received and to include those complaints in the records maintained by the PTO regarding invention development services.

Section 58 provides that making false or misleading statements or representations to a customer, omitting any material fact in a communication with a customer, or failing to make all the disclosures required by chapter 5 is a misdemeanor and authorizes a fine of not more than \$10,000 for each such offense.

Section 59 makes it clear that the provisions of chapter 5 are not to be construed to affect any other obligation, right, or remedy that is provided under any other Federal or State law.

#### *Section 403.—Technical and conforming amendment*

This section amends the table of chapters of Part I of title 35, United States Code to add a heading for chapter 5.

*Section 404.—Effective date*

This section specifies that the title and the amendments made by it will be effective 60 days after the date of enactment of the Act.

TITLE V—PATENT REEXAMINATION REFORM

*Section 501.—Short title*

This section provides a short title: “Patent Reexamination Reform Act of 1996.”

*Section 502.—Definitions*

This section amends 35 U.S.C. § 100 to add a definition for the term “third-party requester”. A third-party requester is defined as a person requesting reexamination under 35 U.S.C. § 302 who is not the patent owner.

*Section 503.—Reexamination procedures*

This section amends the reexamination procedures set forth in chapter 30 of title 35, United States Code, to broaden the basis for, and scope of, reexamination to increase third-party requester participation in reexamination procedures and appeals and to preclude reexamination in certain circumstances.

Subsection (a) amends 35 U.S.C. § 302 to provide an additional basis for a patent owner or a third party to request reexamination. The additional basis is that a substantial new question of patentability exists for any claim of a patent due to a lack of compliance of that claim with the requirements of 35 U.S.C. § 112 except for the requirement to set forth the best mode of carrying out the invention. It also requires that the request identify the real party in interest.

Subsection (b) amends each subsection of 35 U.S.C. § 303. Subsection (b) amends 35 U.S.C. § 303(a) to provide an additional basis for determining whether a substantial new question of patentability exists in Commissioner-initiated reexaminations, namely the failure of one or more claims of a patent to comply with the requirements of 35 U.S.C. § 112 other than the best mode requirement. Reexamination of a new question of patentability may involve reconsideration of patents and publications considered during the original examination, the examination of a reissue patent or an earlier concluded prior reexamination. Such patents and publications may be considered alone or in combination with patents and publications not previously considered. Although a new question of patentability can be raised by the same patents and printed publications previously considered by the Office, a new question cannot be based solely on an issue that has already been decided by the Office.

Subsection (b) amends 35 U.S.C. § 303(b) by substituting the “term third-party” requester for the phrase “person requesting reexamination.” Subsection (b) amends 35 U.S.C. § 303(c) by removing the phrase “that no substantial new question of patentability has been raised” from the first sentence of this subsection. This change clarifies that all determinations of the Commissioner under subsection (a) (e.g., that a substantial new question of patentability has or has not been raised) are nonappealable. This amendment

codifies existing case law which provides that a positive determination by the Commissioner that a substantial new question of patentability has been raised is nonappealable. The phrase “that no new question of patentability has been raised” is added to the second sentence of this subsection to clarify that refunds may be made for negative determinations. Review of negative determinations should remain available for both patent owner requesters and third-party requesters by petition to the Commissioner under 37 C.F.R. § 1.181, as currently provided for in 37 C.F.R. § 1.515(c).

Subsection (c) amends 35 U.S.C. § 304 to provide that the initial PTO action on the merits of a reexamination may accompany the order granting the reexamination request. This amendment also deletes provisions that allow the patent owner to file a preliminary statement, which must be served on any third-party requester, and may allow the third-party requester to file a reply to the patent owner’s statement. These changes are made in view of the procedure in subsection (d) of this Section.

Subsection (d) amends the first sentence of 35 U.S.C. § 305 by deleting the reference to the procedures of 35 U.S.C. § 304 relating to the patent owner statement and third-party requester reply, which are deleted by subsection (c) of this Section. Subsection (d) also amends 35 U.S.C. § 305 to simplify the authority of a patent owner to amend the patent or any of its claims or to present new claims. The change permits a patent owner to amend an existing claim or to add a new claim for any reason once a reexamination proceeding has been established. The change does not alter the prohibition imposed by the third sentence of § 305 against amendments or new claims that would enlarge the scope of the claims relative to the claims in the patent as originally issued. Subsection (d) then designates the existing provisions of 35 U.S.C. § 305, so modified, as subsection 305(a). Reexamination of a new question of patentability may involve reconsideration of patents and publications considered during the original examination, the examination of a reissue patent, or an earlier concluded prior reexamination. Such patents and publications may be considered alone or in combination with patents and publications not previously considered. Although a new question of patentability can be raised by the same patents and printed publications previously considered by the Office, a new question cannot be based solely on an issue that has already been decided by the Office.

Subsection (d) also amends 35 U.S.C. § 305 to add a new subsection, § 305(b), to address reexamination proceedings based on a request from a third-party requester. The new § 305(b)(2) requires that any document filed by either the patent owner or a third-party requester be served on all other parties to the reexamination proceeding, with the exception of the request for reexamination. The new § 305(b)(2) provides that a third-party requester may submit one set of written comments to the office in reply to a response by the patent owner to any Office action. The written reply must be limited to issues covered by the Office action or raised in the patent owner’s response thereto. This subsection provides that the third party must submit the comments within a reasonable period, such period to be not less than one month from the date of service by the patent owner of its response to any Office action.

Additionally, subsection (d) designates the last sentence of existing 35 U.S.C. § 305 as 35 U.S.C. § 305(c), and amends this sentence by providing an exception to the “special dispatch” requirement where so provided by the Commissioner for good cause.

While no statutory provision is added by this Act to address interviews conducted before the examiner during reexamination, it is intended that the Office, through rulemaking, will provide third-party requesters the right to participate in any examiner interview initiated by the patent owner or by the examiner, and that such interviews will be conducted under controlled conditions before the examiner and an additional, more senior, Office representative. The third party should not be permitted to initiate examiner interviews.

Subsection (e) amends 35 U.S.C. § 306 by designating the current provisions relating to appeal rights of the patent owner as subsection 306(a) and by making amendments thereto, and by adding two new subsections, 306(b) and 306(c), to provide third-party requesters with appeal rights and to create an estoppel effect, respectively.

Subsection 306(a) provides the patent owner with a right to be a party to any appeal taken by a third-party requester pursuant to subsection 306(b). In addition, subsection 306(a) is amended to remove the availability of review under 35 U.S.C. § 145, while maintaining the availability of review under 35 U.S.C. § 134 and 35 U.S.C. §§ 141–144. By this amendment, patent owners dissatisfied with a decision of the Board of Patent Appeals and Interferences in a reexamination proceeding would no longer be permitted to file a civil action against the Commissioner in the U.S. District Court for the District of Columbia, but could continue to appeal such decision to the U.S. Court of Appeals for the Federal Circuit.

Subsection 306(b) provides third-party requesters with appeal rights that parallel those provided to patent owners. Under subsection 306(b), third-party requesters may appeal any final decision favorable to the patentability of any original or proposed amended or new claim of the patent under the provisions of 35 U.S.C. § 134. They may also seek court review under 35 U.S.C. §§ 141–144, and may be a party to any appeal taken by the patent owner, subject to the provisions of 35 U.S.C. § 306(c).

Subsection 306(c)(1) provides that a third-party requester who files an appeal or participates as a party to an appeal by the patent owner under the provisions of 35 U.S.C. §§ 141–144, is estopped from later asserting, in any forum, the invalidity of any claim determined to be patentable on appeal on any ground which the third-party requester raised or could have raised during the reexamination proceedings, including the request for reexamination. Subsection 306(c)(2) provides that a third-party requester is deemed not to have participated as a party to an appeal by the patent owner unless, within twenty days after the patent owner has filed notice of appeal, the third-party requester files notice with the Commissioner electing to participate.

Subsection (f)(1) adds a new section, 35 U.S.C. § 308, having two subsections, 308(a) and 308(b). This new section prohibits reexamination in two circumstances, notwithstanding any other reexamination provision. First, section 308(a) provides that, once an order

for reexamination of a patent has been issued under section 35 U.S.C. § 304, neither the patent owner nor a third-party requester may file a subsequent request for reexamination of the patent until a reexamination certificate is issued and published under section 35 U.S.C. § 307, unless authorized by the Commissioner.

Second, § 308(b) provides that once a judgment has been entered against a party to a civil action arising in whole or in part under 28 U.S.C. § 1338 that the party has not sustained its burden of proving the invalidity of any patent claims in suit, then neither that party nor its privies may thereafter request reexamination of any such patent claim on the basis of issues which that party or its privies raised or could have raised in that action. A reexamination requested by such a party or by a party in privity with such a party on the basis of such issues may not be maintained by the Office. This provision avoids the potential for inconsistent treatment by the Office of patent claims in a reexamination after a final judicial determination of validity that the same patent claims are not valid. Subsection 308(b) applies to any action that could be brought under § 1338 regardless of whether that section is formally cited in the complaint.

Subsection (f)(2) amends the table of sections for chapter 30 of title 35, United States Code, to add the section heading, “308. Reexamination Prohibited.” for the new section added by subsection 503(f)(1) of this Act.

*Section 504.—Conforming amendments*

Subsection (a) amends 35 U.S.C. § 7(b) to authorize the Board to review decisions of examiners upon written appeal of a patent owner or a third-party requester in reexamination proceedings.

Subsection (b) amends 35 U.S.C. § 41(a)(7) to provide the authority for the Commissioner to accept the filing of an unintentionally delayed response by the patent owner in a reexamination proceeding and for charging a fee for such filing.

Subsection (c) amends 35 U.S.C. § 134 to provide for review of examiner decisions by the Board in reexamination proceedings upon written appeal by a patent owner or by a third-party requester. Specifically, subsection (b) amends 35 U.S.C. § 134 by designating the existing provisions as subsection 134(a) and by adding two new subsections, designated as subsections 134(b) and 134(c). Subsection 134(b) permits a patent owner in a reexamination proceeding to appeal to the Board from the final rejection of any claim by the primary examiner, having once paid the fee for such appeal. Subsection 134(c) permits third-party requesters to appeal to the Board from the final decision of the primary examiner favorable to the patentability of any original or proposed amended or new claim of a patent, having once paid the fee for such appeal.

Subsection (d) amends 35 U.S.C. § 141 to permit patent owners and third-party requesters dissatisfied with the final decision in an appeal under 35 U.S.C. § 134 to appeal to the Court of Appeals for the Federal Circuit.

Subsection (e) amends 35 U.S.C. § 143 to require the Commissioner to make submissions to the court in reexamination cases, as well as in ex parte cases. Currently, this section only requires such submissions in ex parte cases. This amendment would require the



Commissioner to make submissions to the court in reexamination cases even when they are not *ex parte*, but rather involve a third-party requester.

Subsection (f) amends 35 U.S.C. § 145 to conform to the amendments made to 35 U.S.C. § 134. Specifically, this section amends § 145 to provide that appeals under § 145 may only be initiated by patent applicants, and not by a patent owner or a third-party requester who is a participant in a reexamination proceeding.

*Section 505.—Effective date*

This section provides that this title and the amendments made by this title shall take effect six months after the date of enactment of this Act, and that they shall apply only to those reexamination requests that are filed on or after that date.

TITLE VI—MISCELLANEOUS PATENT PROVISIONS

*Section 601.—Provisional applications*

This section amends section 111(b)(5) of title 35 to enhance the attractiveness of filing provisional applications by providing a basis for converting provisional applications to non-provisional applications. A basis for converting non-provisional applications to provisional applications is already provided. This enhancement is provided in subsection 111(b)(5) by providing that notwithstanding the absence of a claim, upon timely request and as prescribed by the Commissioner, a provisional application may be treated as an application filed under subsection (a) of section 111. Further, the amendment provides that if no such request is made, the provisional application shall be regarded as abandoned 12 months after the filing date of such application and shall not be subject to revival thereafter. Accordingly, a provisional application could be converted to a non-provisional application, be subjected to examination and, depending upon the outcome of the examination process, ultimately lead to the issue of a patent. This amendment would be effective upon enactment and would apply to provisional applications filed on or after June 8, 1995.

*Section 602.—International applications*

Section 119(a) has been amended to permit persons, who filed an application for patent first in a WTO member country, to claim the right of priority in a subsequent patent application filed in the United States, even if such country does not yet afford similar privileges on the basis of applications filed in the United States. This amendment was made in conformity with the requirements of Articles 1 and 2 of the TRIPS Agreement. These Articles require that WTO member countries apply the substantive provisions of the Paris Convention for the Protection of Industrial Property to other WTO member countries. As, however, some WTO member countries are not yet members of the Paris Convention, and as developing countries are permitted periods of up to 10 years before complying with all provisions of the TRIPS Agreement, they are not required to extend the right of priority to other WTO member countries until such time.

In subsection (b), the term “foreign intellectual property authority” has been substituted for “patent office of the foreign country” to clarify that regional patent offices are included, as well as international organizations acting as receiving offices under the Patent Cooperation Treaty.

Subsection (f) has been added to section 119 to provide for the right of priority in the United States on the basis of an application for a plant breeder’s right first filed in a WTO member country or in a UPOV Contracting Party. Many foreign countries provide only a sui generis system of protection for plant varieties. Because section 119 presently addresses only patents and inventors’ certificates, applicants from those countries are technically unable to base a priority claim on a foreign application for a plant breeder’s right when seeking plant patent or utility protection for a plant variety in this country.

Subsection (g) has been added to section 119 to define the terms “WTO member country” and “UPOV Contracting Party.”

#### *Section 603.—Plant patents*

Subsection (a) of Section 603 allows for the patenting of tuber propagated plants.

Subsection (b) of Section 603 corrects a flaw in the wording of 35 U.S.C. § 163 to clarify that a plant patent includes the right to exclude others from using, offering for sale, selling, or importing both the entire plant and any of its parts.

#### *Section 604.—Just compensation for U.S. government use of patents*

When the government takes a person’s patent, he or she may bring suit to recover damages against the United States in the Court of Federal Claims under the Tucker Acts, 28 U.S.C. §§ 1346(a)(2) and 1491. Another section, 28 U.S.C. § 1498, provides the remedy for a patent owner plaintiff stating that he shall be awarded “reasonable and entire compensation” for the taking of his patent rights by the government. Courts have ruled that this “reasonable and entire compensation” is equal to the “just compensation” required by the Fifth Amendment for government takings by eminent domain. See *Waite v. United States*, 282 U.S. 508, 509 (1931). The assessment of litigation fees and costs against the United States in eminent domain cases is not required by the Fifth Amendment, and thus is not part of the “reasonable and entire compensation” required under 28 U.S.C. § 1498. Accordingly, such fees and costs can only be authorized by statute. *United States v. Bodcaw Co.*, 440 U.S. 202, 203 (1979).

Congress provided such authorization for legal fees and costs in cases related to the taking of real property by the United States when it passed the “Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.” 42 U.S.C. § 4654. No such provision exists, however, for the taking of intellectual property, specifically in the case where the government is found liable for taking a patent. See *Calhoun v. United States*, 453 F.2d 1385, 1395–96 (Ct. Cl. 1972). Section 604 provides this authorization so that independent, non-profit, and small business patent owners whose patents have been infringed can recover the expensive costs required to obtain their damages.

Some have suggested that the Equal Access to Justice Act of 1980, 28 U.S.C. § 2412 (“EAJA”), which makes the government liable for attorney’s fees and costs to the extent that any such fees would be awarded against a private party, be relied upon in lieu of enacting the specific provisions of section 604. Private parties are liable for fees and costs in “exceptional cases of patent infringement” under 35 U.S.C. 285. The problem arises because of the differing nature of a patent infringement suit against a private party compared with one against the government. A suit against a private party is based in tort whereas one against the government is based on eminent domain. *Leesona Corp. v. United States*, 599 F.2d 958, 966–969 (Ct. Cl. 1976). The government is never guilty of direct infringement of a patent insofar as direct infringement means tortious or wrongful conduct. *Decca Ltd. v. United States*, 640 F.2d 1156, 1166 (Ct. Cl. 1980); *ITT Corp. v. United States*, 17 Cl. Ct. 199, 202 (1989). Because the suits are not directly analogous, it has been held that the EAJA does not apply to patent owners who must sue the government for infringement to recover just compensation. *De Graffenried v. United States*, 29 Fed. Cl. 384, 386–87 (1993). No owner has yet been able to recover any of its litigation costs under the EAJA. Under the Act, costs must be assessed against the government when a small business or non-profit claimant prevails in a suit in which it otherwise could have claimed fees and costs against a private party, but will not be awarded when the government’s position in the litigation is “substantially justified.”

Currently, equity cannot be done in reimbursing patent owners for fees and costs because the courts have generally taken the position that if Congress had intended to include such reimbursement, it should have said so specifically. That is what this bill does—it says so specifically. It authorizes the express recovery of reasonable costs and fees by small businesses, non-profit entities, or independent patent owners who are forced to litigate against the government to obtain compensation for infringement by the government. Under the bill, the fees and costs in each case will be scrutinized by the Court of Federal Claims to assure that they are reasonable.

The effective date provision applies to action pending on, or brought on or after, the date of enactment of this Act. By reference to actions that are pending, the Committee intends to cover any action under section 1498(a) that has been filed in the United States Court of Federal Claims and that has not yet been finally disposed of in all respects. Thus, it is intended to apply to any action pending on the issues of liability, damages, or compensation of costs pending in front of the United States Court of Federal Claims or on appeal to the United States Court for the Federal Circuit. The term “actions” has the same meaning as applied to the term “cases” in *United States v. 1002.35 Acres of Land*, 942 F.2d 733 (10th Cir. 1991) and as applied to the terms “any case” any “any appeal” in *Jones v. Brown*, 41 F.3d 634 (Fed. Cir. 1994).

#### *Section 605.—Electronic filing*

Section 605 amends § 22 of title 35 to make it clear that the PTO can receive in an electronic format.

## CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

**TITLE 35, UNITED STATES CODE**

Part	Sec.
<b>[I. Patent and Trademark Office .....</b>	<b>1]</b>
<i>I. United States Patent and Trademark Office .....</i>	<i>1</i>
* * * * *	

**[PART I—PATENT AND TRADEMARK OFFICE]*****PART I—UNITED STATES PATENT AND  
TRADEMARK OFFICE***

Chap.	Sec.
<b>[1. Establishment, Officers, Functions .....</b>	<b>1]</b>
<i>1. Establishment, Officers and Employees, Functions .....</i>	<i>1</i>
* * * * *	
<b>5. <i>Invention Development Services</i> .....</b>	<b>51</b>
* * * * *	

**[CHAPTER 1—ESTABLISHMENT, OFFICERS, FUNCTIONS]**

- [Sec.
- [1. Establishment.
  - [2. Seal.
  - [3. Officers and employees.
  - [4. Restrictions on officers and employees as to interest in patents.
  - [6. Duties of Commissioner.
  - [7. Board of Patent Appeals and Interferences.
  - [8. Library.
  - [9. Classification of patents.
  - [10. Certified copies of records.
  - [11. Publications.
  - [12. Exchange of copies of patents with foreign countries.
  - [13. Copies of patents for public libraries.
  - [14. Annual report to Congress.]

***CHAPTER 1—ESTABLISHMENT, OFFICERS AND  
EMPLOYEES, FUNCTIONS***

- Sec.
1. *Establishment.*
  2. *Powers and duties.*
  3. *Officers and employees.*
  4. *Restrictions on officers and employees as to interest in patents.*
  5. *Patent and Trademark Office Management Advisory Board.*
  6. *Board of Patent Appeals and Interferences.*
  7. *Suits by and against the Office.*
  8. *Library.*
  9. *Classification of patents.*
  10. *Certified copies of records.*
  11. *Publications.*

- 12. *Exchange of copies of patents with foreign countries.*
- 13. *Copies of patents for public libraries.*
- 14. *Annual report to Congress.*

### **【§ 1. Establishment**

【The Patent and Trademark Office shall continue as an office in the Department of Commerce, where records, books, drawings, specifications, and other papers and things pertaining to patents and to trademark registrations shall be kept and preserved, except as otherwise provided by law.

### **【§ 2. Seal**

【The Patent and Trademark Office shall have a seal with which letters patent, certificates of trade-mark registrations, and papers issued from the Office shall be authenticated.

### **【§ 3. Officers and employees**

【(a) There shall be in the Patent and Trademark Office a Commissioner of Patents and Trademarks, a Deputy Commissioner, two Assistant Commissioners, and examiners-in-chief appointed under section 7 of this title. The Deputy Commissioner, or, in the event of a vacancy in that office, the Assistant Commissioner senior in date of appointment shall fill the office of Commissioner during a vacancy in that office until the Commissioner is appointed and takes office. The Commissioner of Patents and Trademarks, the Deputy Commissioner, and the Assistant Commissioners shall be appointed by the President, by and with the advice and consent of the Senate. The Secretary of Commerce, upon the nomination of the Commissioner, in accordance with law shall appoint all other officers and employees.

【(b) The Secretary of Commerce may vest in himself the functions of the Patent and Trademark Office and its officers and employees specified in this title and may from time to time authorize their performance by any other officer or employee.

【(c) The Secretary of Commerce is authorized to fix the per annum rate of basic compensation of each examiner-in-chief in the Patent and Trademark Office at not in excess of the maximum scheduled rate provided for positions in grade 17 of the General Schedule of the Classification Act of 1949, as amended.

【(d) The Commissioner of Patents and Trademarks shall be an Assistant Secretary of Commerce and shall receive compensation at the rate prescribed by law for Assistant Secretaries of Commerce.

【(e) The members of the Trademark Trial and Appeal Board of the Patent and Trademark Office shall each be paid at a rate not to exceed the maximum rate of basic pay payable for GS-16 of the General Schedule under section 5332 of title 5.】

### **§ 1. Establishment**

(a) *ESTABLISHMENT.*—*The United States Patent and Trademark Office is established as a wholly owned Government corporation subject to chapter 91 of title 31, and shall be an agency of the United States under the policy direction of the Secretary of Commerce, except as otherwise provided in this title. For purposes of internal management, the United States Patent and Trademark Office shall*

be a corporate body not subject to supervision by any department, except as otherwise provided in this title.

(b) *OFFICES.*—The United States Patent and Trademark Office shall maintain an office in the District of Columbia, or the metropolitan area thereof, for the service of process and papers and shall be deemed, for purposes of venue in civil actions, to be a resident of the district in which its principal office is located. The United States Patent and Trademark Office may establish offices in such other places as it considers necessary or appropriate in the conduct of its business.

(c) *REFERENCE.*—For purposes of this title, the United States Patent and Trademark Office shall also be referred to as the “Office” and the “Patent and Trademark Office”.

## **§2. Powers and Duties**

(a) *IN GENERAL.*—The United States Patent and Trademark Office shall be responsible for—

(1) the granting and issuing of patents and the registration of trademarks;

(2) conducting studies, programs, or exchanges of items or services regarding domestic and international patent and trademark law, the administration of the Office, or any other function vested in the Office by law, including programs to recognize, identify, assess, and forecast the technology of patented inventions and their utility to industry;

(3)(A) authorizing or conducting studies and programs cooperatively with foreign patent and trademark offices and international organizations, in connection with the granting and issuing of patents and the registration of trademarks; and

(B) with the concurrence of the Secretary of State, authorizing the transfer of not to exceed \$100,000 in any year to the Department of State for the purpose of making special payments to international intergovernmental organizations for studies and programs for advancing international cooperation concerning patents, trademarks, and related matters; and

(4) disseminating to the public information with respect to patents and trademarks.

The special payments under paragraph (3)(B) shall be in addition to any other payments or contributions to international organizations described in paragraph (3)(B) and shall not be subject to any limitations imposed by law on the amounts of such other payments or contributions by the United States Government.

(b) *SPECIFIC POWERS.*—The Office—

(1) shall have perpetual succession;

(2) shall adopt and use a corporate seal, which shall be judicially noticed and with which letters patent, certificates of trademark registrations, and papers issued by the Office shall be authenticated;

(3) may sue and be sued in its corporate name and be represented by its own attorneys in all judicial and administrative proceedings, subject to the provisions of section 8;

(4) may indemnify the Commissioner of Patents and Trademarks, and other officers, attorneys, agents, and employees (including members of the Management Advisory Board estab-

lished in section 5) of the Office for liabilities and expenses incurred within the scope of their employment;

(5) may adopt, amend, and repeal bylaws, rules, regulations, and determinations, which—

(A) shall govern the manner in which its business will be conducted and the powers granted to it by law will be exercised;

(B) shall be made after notice and opportunity for full participation by interested public and private parties;

(C) shall facilitate and expedite the processing of patent applications, particularly those which can be filed, stored, processed, searched, and retrieved electronically, subject to the provisions of section 122 relating to the confidential status of applications; and

(D) may govern the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Office, and may require them, before being recognized as representatives of applicants or other persons, to show that they are of good moral character and reputation and are possessed of the necessary qualifications to render to applicants or other persons valuable service, advice, and assistance in the presentation or prosecution of their applications or other business before the Office;

(6) may acquire, construct, purchase, lease, hold, manage, operate, improve, alter, and renovate any real, personal, or mixed property, or any interest therein, as it considers necessary to carry out its functions;

(7)(A) may make such purchases, contracts for the construction, maintenance, or management and operation of facilities, and contracts for supplies or services, without regard to the provisions of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471 and following), the Public Buildings Act (40 U.S.C. 601 and following), and the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11301 and following); and

(B) may enter into and perform such purchases and contracts for printing services, including the process of composition, platemaking, presswork, silk screen processes, binding, microform, and the products of such processes, as it considers necessary to carry out the functions of the Office, without regard to sections 501 through 517 and 1101 through 1123 of title 44;

(8) may use, with their consent, services, equipment, personnel, and facilities of other departments, agencies, and instrumentalities of the Federal Government, on a reimbursable basis, and cooperate with such other departments, agencies, and instrumentalities in the establishment and use of services, equipment, and facilities of the Office;

(9) may obtain from the Administrator of General Services such services as the Administrator is authorized to provide to other agencies of the United States, on the same basis as those services are provided to other agencies of the United States;

(10) may use, with the consent of the United States and the agency, government, or international organization concerned, the services, records, facilities, or personnel of any State or local

government agency or instrumentality or foreign government or international organization to perform functions on its behalf;

(11) may determine the character of and the necessity for its obligations and expenditures and the manner in which they shall be incurred, allowed, and paid, subject to the provisions of this title and the Act of July 5, 1946 (commonly referred to as the 'Trademark Act of 1946');

(12) may retain and use all of its revenues and receipts, including revenues from the sale, lease, or disposal of any real, personal, or mixed property, or any interest therein, of the Office, including for research and development and capital investment, subject to the provisions of section 10101 of the Omnibus Budget Reconciliation Act of 1990 (35 U.S.C. 41 note);

(13) shall have the priority of the United States with respect to the payment of debts from bankrupt, insolvent, and decedents' estates;

(14) may accept monetary gifts or donations of services, or of real, personal, or mixed property, in order to carry out the functions of the Office;

(15) may execute, in accordance with its bylaws, rules, and regulations, all instruments necessary and appropriate in the exercise of any of its powers;

(16) may provide for liability insurance and insurance against any loss in connection with its property, other assets, or operations either by contract or by self-insurance; and

(17) shall pay any settlement or judgment entered against it from the funds of the Office and not from amounts available under section 1304 of title 31.

### **§3. Officers and employees**

#### **(a) COMMISSIONER.—**

(1) *IN GENERAL.*—The management of the United States Patent and Trademark Office shall be vested in a Commissioner of Patents and Trademarks (hereafter in this title referred to as the 'Commissioner'), who shall be a citizen of the United States and who shall be appointed by the President, by and with the advice and consent of the Senate. The Commissioner shall be a person who, by reason of professional background and experience in patent or trademark law, is especially qualified to manage the Office.

#### **(2) DUTIES.—**

(A) *IN GENERAL.*—The Commissioner shall be responsible for the management and direction of the Office, including the issuance of patents and the registration of trademarks, and shall perform these duties in a fair, impartial, and equitable manner.

(B) *ADVISING THE PRESIDENT.*—The Commissioner shall advise the President, through the Secretary of Commerce, of all activities of the Office undertaken in response to obligations of the United States under treaties and executive agreements, or which relate to cooperative programs with those authorities of foreign governments that are responsible for granting patents or registering trademarks. The Commissioner shall also recommend to the President,



*through the Secretary of Commerce, changes in law or policy which may improve the ability of United States citizens to secure and enforce patent rights or trademark rights in the United States or in foreign countries.*

(C) *CONSULTING WITH THE MANAGEMENT ADVISORY BOARD.*—The Commissioner shall consult with the Management Advisory Board established in section 5 on a regular basis on matters relating to the operation of the Office, and shall consult with the Board before submitting budgetary proposals to the Office of Management and Budget or changing or proposing to change patent or trademark user fees or patent or trademark regulations.

(D) *SECURITY CLEARANCES.*—The Commissioner, in consultation with the Director of the Office of Personnel Management, shall maintain a program for identifying national security positions and providing for appropriate security clearances.

(3) *TERM.*—The Commissioner shall serve a term of 5 years, and may continue to serve after the expiration of the Commissioner's term until a successor is appointed and assumes office. The Commissioner may be reappointed to subsequent terms.

(4) *OATH.*—The Commissioner shall, before taking office, take an oath to discharge faithfully the duties of the Office.

(5) *COMPENSATION.*—The Commissioner shall receive compensation at the rate of pay in effect for level II of the Executive Schedule under section 5313 of title 5.

(6) *REMOVAL.*—The Commissioner may be removed from office by the President only for cause.

(7) *DESIGNEE OF COMMISSIONER.*—The Commissioner shall designate an officer of the Office who shall be vested with the authority to act in the capacity of the Commissioner in the event of the absence or incapacity of the Commissioner.

(b) *OFFICERS AND EMPLOYEES OF THE OFFICE.*—

(1) *DEPUTY COMMISSIONERS.*—The Commissioner shall appoint a Deputy Commissioner for Patents and a Deputy Commissioner for Trademarks for terms that shall expire on the date on which the Commissioner's term expires. The Deputy Commissioner for Patents shall be a person with demonstrated experience in patent law and the Deputy Commissioner for Trademarks shall be a person with demonstrated experience in trademark law. The Deputy Commissioner for Patents and the Deputy Commissioner for Trademarks shall be the principal policy and management advisors to the Commissioner on all aspects of the activities of the Office that affect the administration of patent and trademark operations, respectively.

(2) *OTHER OFFICERS AND EMPLOYEES.*—The Commissioner shall—

(A) *appoint an Inspector General and such other officers, employees (including attorneys), and agents of the Office as the Commissioner considers necessary to carry out its functions;*

(B) *fix the compensation of such officers and employees, except as otherwise provided in this section; and*

(C) define the authority and duties of such officers and employees and delegate to them such of the powers vested in the Office as the Commissioner may determine.

The Office shall not be subject to any administratively or statutorily imposed limitation on positions or personnel, and no positions or personnel of the Office shall be taken into account for purposes of applying any such limitation.

(c) LIMITS ON COMPENSATION.—Except as otherwise provided by law, the annual rate of basic pay of an officer or employee of the Office may not be fixed at a rate that exceeds, and total compensation payable to any such officer or employee for any year may not exceed, the annual rate of basic pay in effect for the Commissioner for the year involved. The Commissioner shall prescribe such regulations as may be necessary to carry out this subsection.

(d) INAPPLICABILITY OF TITLE 5 GENERALLY.—Except as otherwise provided in this section, officers and employees of the Office shall not be subject to the provisions of title 5 relating to Federal employees.

(e) CONTINUED APPLICABILITY OF CERTAIN PROVISIONS OF TITLE 5.—

(1) IN GENERAL.—The following provisions of title 5 shall apply to the Office and its officers and employees:

(A) Section 3110 (relating to employment of relatives; restrictions).

(B) Subchapter II of chapter 55 (relating to withholding pay).

(C) Subchapters II and III of chapter 73 (relating to employment limitations and political activities, respectively).

(D) Chapter 71 (relating to labor-management relations), subject to paragraph (2) and subsection (g).

(E) Section 3303 (relating to political recommendations).

(F) Subchapter II of chapter 61 (relating to flexible and compressed work schedules).

(2) COMPENSATION SUBJECT TO COLLECTIVE BARGAINING.—

(A) IN GENERAL.—Notwithstanding any other provision of law, for purposes of applying chapter 71 of title 5 pursuant to paragraph (1)(D), basic pay and other forms of compensation shall be considered to be among the matters as to which the duty to bargain in good faith extends under such chapter.

(B) EXCEPTIONS.—The duty to bargain in good faith shall not, by reason of subparagraph (A), be considered to extend to any benefit under title 5 which is afforded by paragraph (1), (2), (3), or (4) of subsection (f).

(C) LIMITATIONS APPLY.—Nothing in this subsection shall be considered to allow any limitation under subsection (c) to be exceeded.

(f) PROVISIONS OF TITLE 5 THAT CONTINUE TO APPLY, SUBJECT TO CERTAIN REQUIREMENTS.—

(1) RETIREMENT.—(A) The provisions of subchapter III of chapter 83 and chapter 84 of title 5 shall apply to the Office and its officers and employees, subject to subparagraph (B).

(B)(i) The amount required of the Office under the second sentence of section 8334(a)(1) of title 5 with respect to any particu-

lar individual shall, instead of the amount which would otherwise apply, be equal to the normal-cost percentage (determined with respect to officers and employees of the Office using dynamic assumptions, as defined by section 8401(9) of such title) of the individual's basic pay, minus the amount required to be withheld from such pay under such section 8334(a)(1).

(ii) The amount required of the Office under section 8334(k)(1)(B) of title 5 with respect to any particular individual shall be equal to an amount computed in a manner similar to that specified in clause (i), as determined in accordance with clause (iii).

(iii) Any regulations necessary to carry out this subparagraph shall be prescribed by the Office of Personnel Management.

(C) The United States Patent and Trademark Office may supplement the benefits provided under the preceding provisions of this paragraph.

(2) **HEALTH BENEFITS.**—(A) The provisions of chapter 89 of title 5 shall apply to the Office and its officers and employees, subject to subparagraph (B).

(B)(i) With respect to any individual who becomes an officer or employee of the Office pursuant to subsection (h), the eligibility of such individual to participate in such program as an annuitant (or of any other person to participate in such program as an annuitant based on the death of such individual) shall be determined disregarding the requirements of section 8905(b) of title 5. The preceding sentence shall not apply if the individual ceases to be an officer or employee of the Office for any period of time after becoming an officer or employee of the Office pursuant to subsection (h) and before separation.

(ii) The Government contributions authorized by section 8906 for health benefits for anyone participating in the health benefits program pursuant to this subparagraph shall be made by the Office in the same manner as provided under section 8906(g)(2) of title 5 with respect to the United States Postal Service for individuals associated therewith.

(iii) For purposes of this subparagraph, the term 'annuitant' has the meaning given such term by section 8901(3) of title 5.

(C) The Office may supplement the benefits provided under the preceding provisions of this paragraph.

(3) **LIFE INSURANCE.**—(A) The provisions of chapter 87 of title 5 shall apply to the Office and its officers and employees, subject to subparagraph (B).

(B)(i) Eligibility for life insurance coverage after retirement or while in receipt of compensation under subchapter I of chapter 81 of title 5 shall be determined, in the case of any individual who becomes an officer or employee of the Office pursuant to subsection (h), without regard to the requirements of section 8706(b) (1) or (2), but subject to the condition specified in the last sentence of paragraph (2)(B)(i) of this subsection.

(ii) Government contributions under section 8708(d) on behalf of any such individual shall be made by the Office in the same manner as provided under paragraph (3) thereof with respect to the United States Postal Service for individuals associated therewith.

(C) *The Office may supplement the benefits provided under the preceding provisions of this paragraph.*

(4) *EMPLOYEES' COMPENSATION FUND.—(A) Officers and employees of the Office shall not become ineligible to participate in the program under chapter 81 of title 5, relating to compensation for work injuries, by reason of subsection (d).*

*(B) The Office shall remain responsible for reimbursing the Employees' Compensation Fund, pursuant to section 8147 of title 5, for compensation paid or payable after the effective date of the Patent and Trademark Office Government Corporation Act of 1996 in accordance with chapter 81 of title 5 with regard to any injury, disability, or death due to events arising before such date, whether or not a claim has been filed or is final on such date.*

(g) *LABOR-MANAGEMENT RELATIONS.—*

*(1) LABOR RELATIONS AND EMPLOYEE RELATIONS PROGRAMS.—The Office shall develop labor relations and employee relations programs with the objective of improving productivity and efficiency, incorporating the following principles:*

*(A) Such programs shall be consistent with the merit principles in section 2301(b) of title 5.*

*(B) Such programs shall provide veterans preference protections equivalent to those established by sections 2108, 3308–3318, and 3320 of title 5.*

*(C)(i) The right to work shall not be subject to undue restraint or coercion. The right to work shall not be infringed or restricted in any way based on membership in, affiliation with, or financial support of a labor organization.*

*(ii) No person shall be required, as a condition of employment or continuation of employment—*

*(I) to resign or refrain from voluntary membership in, voluntary affiliation with, or voluntary financial support of a labor organization;*

*(II) to become or remain a member of a labor organization;*

*(III) to pay any dues, fees, assessments, or other charges of any kind or amount to a labor organization;*

*(IV) to pay to any charity or other third party, in lieu of such payments, any amount equivalent to or a pro-rata portion of dues, fees, assessments, or other charges regularly required of members of a labor organization;*  
*or*

*(V) to be recommended, approved, referred, or cleared by or through a labor organization.*

*(iii) This subparagraph shall not apply to a person described in section 7103(a)(2)(v) of title 5 or a “supervisor”, “management official”, or “confidential employee” as those terms are defined in 7103(a)(10), (11), and (13) of such title.*

*(iv) Any labor organization recognized by the Office as the exclusive representative of a unit of employees of the Office shall represent the interests of all employees in that unit without discrimination and without regard to labor organization membership.*

(2) *ADOPTION OF EXISTING LABOR AGREEMENTS.*—*The Office shall adopt all labor agreements which are in effect, as of the day before the effective date of the Patent and Trademark Office Government Corporation Act of 1996, with respect to such Office (as then in effect).*

(h) *CARRYOVER OF PERSONNEL.*—

(1) *FROM PTO.*—*Effective as of the effective date of the Patent and Trademark Office Government Corporation Act of 1996, all officers and employees of the Patent and Trademark Office on the day before such effective date shall become officers and employees of the Office, without a break in service.*

(2) *OTHER PERSONNEL.*—*Any individual who, on the day before the effective date of the Patent and Trademark Office Government Corporation Act of 1996, is an officer or employee of the Department of Commerce (other than an officer or employee under paragraph (1)) shall be transferred to the Office if—*

(A) *such individual serves in a position for which a major function is the performance of work reimbursed by the Patent and Trademark Office, as determined by the Secretary of Commerce;*

(B) *such individual serves in a position that performed work in support of the Patent and Trademark Office during at least half of the incumbent's work time, as determined by the Secretary of Commerce; or*

(C) *such transfer would be in the interest of the Office, as determined by the Secretary of Commerce in consultation with the Commissioner of Patents and Trademarks.*

*Any transfer under this paragraph shall be effective as of the same effective date as referred to in paragraph (1), and shall be made without a break in service.*

(3) *ACCUMULATED LEAVE.*—*The amount of sick and annual leave and compensatory time accumulated under title 5 before the effective date described in paragraph (1), by those becoming officers or employees of the Office pursuant to this subsection, are obligations of the Office.*

(4) *TERMINATION RIGHTS.*—*Any employee referred to in paragraph (1) or (2) of this subsection whose employment with the Office is terminated during the 2-year period beginning on the effective date of the Patent and Trademark Office Government Corporation Act of 1996 shall be entitled to rights and benefits, to be afforded by the Office, similar to those such employee would have had under Federal law if termination had occurred immediately before such date. An employee who would have been entitled to appeal any such termination to the Merit Systems Protection Board, if such termination had occurred immediately before such effective date, may appeal any such termination occurring within this 2-year period to the Board under such procedures as it may prescribe.*

(5) *CONTINUATION IN OFFICE OF CERTAIN OFFICERS.*—(A) *The individual serving as the Commissioner of Patents and Trademarks on the day before the effective date of the Patent and Trademark Office Government Corporation Act of 1996 may serve as the Commissioner until the date on which a Commissioner is appointed under subsection (a).*

(B) *The individual serving as the Assistant Commissioner for Patents on the day before the effective date of the Patent and Trademark Office Government Corporation Act of 1996 may serve as the Deputy Commissioner for Patents until the date on which a Deputy Commissioner for Patents is appointed under subsection (b).*

(C) *The individual serving as the Assistant Commissioner for Trademarks on the day before the effective date of the Patent and Trademark Office Government Corporation Act of 1996 may serve as the Deputy Commissioner for Trademarks until the date on which a Deputy Commissioner for Trademarks is appointed under subsection (b).*

(i) *COMPETITIVE STATUS.—For purposes of appointment to a position in the competitive service for which an officer or employee of the Office is qualified, such officer or employee shall not forfeit any competitive status, acquired by such officer or employee before the effective date of the Patent and Trademark Office Government Corporation Act of 1996, by reason of becoming an officer or employee of the Office pursuant to subsection (h).*

(j) *SAVINGS PROVISIONS.—*

(1) *IN GENERAL.—Compensation, benefits, and other terms and conditions of employment in effect immediately before the effective date of the Patent and Trademark Office Government Corporation Act of 1996, whether provided by statute or by rules and regulations of the former Patent and Trademark Office or the executive branch of the Government of the United States, shall continue to apply to officers and employees of the Office, until changed in accordance with this section (whether by action of the Commissioner or otherwise).*

(2) *PROVISIONS SPECIFIC TO BASIC PAY.—With respect to any individual who becomes an officer or employee of the Office pursuant to subsection (h), the rate of basic pay for such officer or employee may not, on or after the effective date of the Patent and Trademark Office Government Corporation Act of 1996, be less than the rate in effect immediately before such effective date, except—*

*(A) pursuant to a collective-bargaining agreement entered into under this section; or*

*(B) for inefficiency, neglect of duty, or misconduct, on the part of such individual.*

*For purposes of this subparagraph, the term “basic pay” includes any amount considered to be part of basic pay for purposes of subchapter III of chapter 83 or chapter 84 of title 5.*

(k) *REMOVAL OF QUASI-JUDICIAL EXAMINERS.—The Office may remove a patent examiner or examiner-in-chief, or a trademark examiner or member of a Trademark Trial and Appeal Board, only for such cause as will promote the efficiency of the Office.*

\* \* \* \* \*

## **§5. Patent and Trademark Office Management Advisory Board**

(a) *ESTABLISHMENT OF MANAGEMENT ADVISORY BOARD.—*

(1) *APPOINTMENT.*—The United States Patent and Trademark Office shall have a Management Advisory Board (hereafter in this title referred to as the “Board”) of 12 members, 4 of whom shall be appointed by the President, 4 of whom shall be appointed by the Speaker of the House of Representatives, and 4 of whom shall be appointed by the President pro tempore of the Senate. Not more than 3 of the 4 members appointed by each appointing authority shall be members of the same political party.

(2) *TERMS.*—Members of the Board shall be appointed for a term of 4 years each, except that of the members first appointed by each appointing authority, 1 shall be for a term of 1 year, 1 shall be for a term of 2 years, and 1 shall be for a term of 3 years. No member may serve more than 1 term.

(3) *CHAIR.*—The President shall designate the chair of the Board, whose term as chair shall be for 3 years.

(4) *TIMING OF APPOINTMENTS.*—Initial appointments to the Board shall be made within 3 months after the effective date of the Patent and Trademark Office Government Corporation Act of 1996, and vacancies shall be filled within 3 months after they occur.

(5) *VACANCIES.*—Vacancies shall be filled in the manner in which the original appointment was made under this subsection. Members appointed to fill a vacancy occurring before the expiration of the term for which the member’s predecessor was appointed shall be appointed only for the remainder of that term. A member may serve after the expiration of that member’s term until a successor is appointed.

(6) *COMMITTEES.*—The Chair shall designate members of the Board to serve on a committee on patent operations and on a committee on trademark operations to perform the duties set forth in subsection (e) as they relate specifically to the Office’s patent operations, and the Office’s trademark operations, respectively.

(b) *BASIS FOR APPOINTMENTS.*—Members of the Board shall be citizens of the United States who shall be chosen so as to represent the interests of diverse users of the United States Patent and Trademark Office, and shall include individuals with substantial background and achievement in corporate finance and management.

(c) *APPLICABILITY OF CERTAIN ETHICS LAWS.*—Members of the Board shall be special Government employees within the meaning of section 202 of title 18.

(d) *MEETINGS.*—The Board shall meet at the call of the chair to consider an agenda set by the chair.

(e) *DUTIES.*—The Board shall—

(1) review the policies, goals, performance, budget, and user fees of the United States Patent and Trademark Office, and advise the Commissioner on these matters; and

(2) within 60 days after the end of each fiscal year, prepare an annual report on the matters referred to in paragraph (1), transmit the report to the President and the Committees on the Judiciary of the Senate and the House of Representatives, and publish the report in the Patent and Trademark Office Official Gazette.

(f) *COMPENSATION.*—Members of the Board shall be compensated for each day (including travel time) during which they are attending meetings or conferences of the Board or otherwise engaged in the business of the Board, at the rate which is the daily equivalent of the annual rate of basic pay in effect for level III of the Executive Schedule under section 5314 of title 5, and while away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5.

(g) *ACCESS TO INFORMATION.*—Members of the Board shall be provided access to records and information in the United States Patent and Trademark Office, except for personnel or other privileged information and information concerning patent applications required to be kept in confidence by section 122.

#### **【§ 6. Duties of Commissioner**

【(a) The Commissioner, under the direction of the Secretary of Commerce, shall superintend or perform all duties required by law respecting the granting and issuing of patents and the registration of trademarks; shall have the authority to carry on studies, programs, or exchanges of items or services regarding domestic and international patent and trademark law or the administration of the Patent and Trademark Office, including programs to recognize, identify, assess and forecast the technology of patented inventions and their utility to industry; and shall have charge of property belonging to the Patent and Trademark Office. He may, subject to the approval of the Secretary of Commerce, establish regulations, not inconsistent with law, for the conduct of proceedings in the Patent and Trademark Office.

【(b) The Commissioner, under the direction of the Secretary of Commerce, may, in coordination with the Department of State, carry on programs and studies cooperatively with foreign patent offices and international intergovernmental organizations, or may authorize such programs and studies to be carried on, in connection with the performance of duties stated in subsection (a) of this section.

【(c) The Commissioner, under the direction of the Secretary of Commerce, may, with the concurrence of the Secretary of State, transfer funds appropriated to the Patent and Trademark Office, not to exceed \$100,000 in any year, to the Department of State for the purpose of making special payments to international intergovernmental organizations for studies and programs for advancing international cooperation concerning patents, trademarks, and related matters. These special payments may be in addition to any other payments or contributions to the international organization and shall not be subject to any limitations imposed by law on the amounts of such other payments or contributions by the Government of the United States.】

#### **【§ 7. Board of Patent Appeals and Interferences**

【(a) The examiners-in-chief shall be persons of competent legal knowledge and scientific ability, who shall be appointed to the competitive service. The Commissioner, the Deputy Commissioner, the



Assistant Commissioners, and the examiners-in-chief shall constitute the Board of Patent Appeals and Interferences.

[(b) The Board of Patent Appeals and Interferences shall, on written appeal of an applicant, review adverse decisions of examiners upon applications for patents and shall determine priority and patentability of invention in interferences declared under section 135(a) of this title. Each appeal and interference shall be heard by at least three members of the Board of Patent Appeals and Interferences, who shall be designated by the Commissioner. Only the Board of Patent Appeals and Interferences has the authority to grant rehearings.

[(c) Whenever the Commissioner considers it necessary, in order to keep current the work of the Board of Patent Appeals and Interferences, the Commissioner may designate any patent examiner of the primary examiner grade or higher, having the requisite ability, to serve as examiner-in-chief for periods not exceeding six months each. An examiner so designated shall be qualified to act as a member of the Board of Patent Appeals and Interferences. Not more than one of the members of the Board of Patent Appeals and Interferences hearing an appeal or determining an interference may be an examiner so designated. The Secretary of Commerce is authorized to fix the pay of each designated examiner-in-chief in the Patent and Trademark Office at not to exceed the maximum rate of basic pay payable for grade GS-16 of the General Schedule under section 5332 of title 5. The rate of basic pay of each individual designated examiner-in-chief shall be adjusted, at the close of the period for which that individual was designated to act as examiner-in-chief, to the rate of basic pay which that individual would have been receiving at the close of such period if such designation had not been made.]

## **§ 6. Board of Patent Appeals and Interferences**

(a) *ESTABLISHMENT AND COMPOSITION.*—*There shall be in the United States Patent and Trademark Office a Board of Patent Appeals and Interferences. The Commissioner, the Deputy Commissioner for Patents, the Deputy Commissioner for Trademarks, and the examiners-in-chief shall constitute the Board. The examiners-in-chief shall be persons of competent legal knowledge and scientific ability.*

(b) *DUTIES.*—*The Board of Patent Appeals and Interferences shall, on written appeal of an applicant, or a patent owner or a third-party requester in a reexamination proceeding, review adverse decisions of examiners upon applications for patents and decisions of examiners in reexamination proceedings, and shall determine priority and patentability of invention in interferences declared under section 135(a) of this title. Each appeal and interference shall be heard by at least 3 members of the Board, who shall be designated by the Commissioner. Only the Board of Patent Appeals and Interferences may grant rehearings.*

## **§ 7. Suits by and against the Office**

(a) *IN GENERAL.*—

(1) *ACTIONS UNDER UNITED STATES LAW.*—*Any civil action or proceeding to which the United States Patent and Trademark*

*Office is a party is deemed to arise under the laws of the United States. The Federal courts shall have exclusive jurisdiction over all civil actions by or against the Office.*

(2) *CONTRACT CLAIMS.—Any action or proceeding against the Office in which any claim is cognizable under the Contract Disputes Act of 1978 (41 U.S.C. 601 and following) shall be subject to that Act. For purposes of that Act, the Commissioner shall be deemed to be the agency head with respect to contract claims arising with respect to the Office. Any other action or proceeding against the Office founded upon contract may be brought in an appropriate district court, notwithstanding any provision of title 28.*

(3) *TORT CLAIMS.—(A) Any action or proceeding against the Office in which any claim is cognizable under the provisions of section 1346(b) and chapter 171 of title 28, shall be governed by those provisions.*

*(B) Any other action or proceeding against the Office founded upon tort may be brought in an appropriate district court without regard to the provisions of section 1346(b) and chapter 171 of title 28.*

(4) *PROHIBITION ON ATTACHMENT, LIENS, ETC.—No attachment, garnishment, lien, or similar process, intermediate or final, in law or equity, may be issued against property of the Office.*

(5) *SUBSTITUTION OF OFFICE AS PARTY.—The Office shall be substituted as defendant in any civil action or proceeding against an officer or employee of the Office, if the Office determines that the officer or employee was acting within the scope of his or her employment with the Office. If the Office refuses to certify scope of employment, the officer or employee may at any time before trial petition the court to find and certify that the officer or employee was acting within the scope of his or her employment. Upon certification by the court, the Office shall be substituted as the party defendant. A copy of the petition shall be served upon the Office. In any such civil action or proceeding to which paragraph (3)(A) applies, the provisions of section 1346(b) and chapter 171 of title 28 shall apply in lieu of this paragraph.*

**(b) RELATIONSHIP WITH JUSTICE DEPARTMENT.—**

(1) *EXERCISE BY OFFICE OF ATTORNEY GENERAL'S AUTHORITIES.—Except as provided in this section, with respect to any action or proceeding in which the Office is a party or an officer or employee thereof is a party in his or her official capacity, the Office, officer, or employee may exercise, without prior authorization from the Attorney General, the authorities and duties that otherwise would be exercised by the Attorney General on behalf of the Office, officer, or employee under title 28 or other laws.*

(2) *APPEARANCES BY ATTORNEY GENERAL.—Notwithstanding paragraph (1), at any time the Attorney General may, in any action or proceeding described in paragraph (1), file an appearance on behalf of the Office or the officer or employee involved, without the consent of the Office or the officer or employee. Upon such filing, the Attorney General shall represent the Of-*

*fice or such officer or employee with exclusive authority in the conduct, settlement, or compromise of that action or proceeding.*

(3) *CONSULTATIONS WITH AND ASSISTANCE BY ATTORNEY GENERAL.—The Office may consult with the Attorney General concerning any legal matter, and the Attorney General shall provide advice and assistance to the Office, including representing the Office in litigation, if requested by the Office.*

(4) *REPRESENTATION BEFORE SUPREME COURT.—The Attorney General shall represent the Office in all cases before the United States Supreme Court.*

(5) *QUALIFICATIONS OF ATTORNEYS.—An attorney admitted to practice to the bar of the highest court of at least one State in the United States or the District of Columbia and employed by the Office may represent the Office in any legal proceeding in which the Office or an officer or employee of the Office is a party or interested, regardless of whether the attorney is a resident of the jurisdiction in which the proceeding is held and notwithstanding any other prerequisites of qualification or appearance required by the court or administrative body before which the proceeding is conducted.*

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#### **[§ 14. Annual report to Congress**

**[The Commissioner shall report to Congress annually the moneys received and expended, statistics concerning the work of the Office, and other information relating to the Office as may be useful to the Congress or the public.]**

#### **§ 14. Annual report to Congress**

*The Commissioner shall report to the Congress, not later than 180 days after the end of each fiscal year, the moneys received and expended by the Office, the purposes for which the moneys were spent, the quality and quantity of the work of the Office, and other information relating to the Office. The report under this section shall also meet the requirements of section 9106 of title 31, to the extent that such requirements are not inconsistent with the preceding sentence. The report required under this section shall be deemed to be the report of the United States Patent and Trademark Office under section 9106 of title 31, and the Commissioner shall not file a separate report under such section.*

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### **CHAPTER 2—PROCEEDINGS IN THE PATENT AND TRADEMARK OFFICE**

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#### **§ 22. Printing of papers filed**

The Commissioner may require papers filed in the Patent and Trademark Office to be **[printed or typewritten]** *printed, typewritten, or on an electronic medium.*

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### CHAPTER 3—PRACTICE BEFORE PATENT AND TRADEMARK OFFICE

Sec.

[31. Regulations for agents and attorneys.]

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#### § 31. Regulations for agents and attorneys

[The Commissioner, subject to the approval of the Secretary of Commerce, may prescribe regulations governing the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Patent and Trademark Office, and may require them, before being recognized as representatives of applicants or other persons, to show that they are of good moral character and reputation and are possessed of the necessary qualifications to render to applicants or other persons valuable service, advice, and assistance in the presentation or prosecution of their applications or other business before the Office.]

#### § 32. Suspension or exclusion from practice

The Commissioner may, after notice and opportunity for a hearing, suspend or exclude, either generally or in any particular case, from further practice before the Patent and Trademark Office, any person, agent, or attorney shown to be incompetent or disreputable, or guilty of gross misconduct, or who does not comply with the regulations established under section 31 of this title, or who shall, by word, circular, letter, or advertising, with intent to defraud in any manner, deceive, mislead, or threaten any applicant or prospective applicant, or other person having immediate or prospective business before the Office. The reasons for any such suspension or exclusion shall be duly recorded. *The Commissioner shall have the discretion to designate any attorney who is an officer or employee of the United States Patent and Trademark Office to conduct the hearing required by this section.* The United States District Court for the District of Columbia, under such conditions and upon such proceedings as it by its rules determines, may review the action of the Commissioner upon the petition of the person so refused recognition or so suspended or excluded.

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### CHAPTER 4—PATENT FEES; FUNDING; SEARCH SYSTEMS

Sec.

41. Patent fees; patent and trademark search systems.

42. Patent and Trademark Office funding.

43. *Audits.*

\* \* \* \* \*

#### § 41. Patent fees; patent and trademark search systems

(a) The Commissioner shall charge the following fees:

(1) \* \* \*

\* \* \* \* \*

[(7) On filing each petition for the revival of an unintentionally abandoned application for a patent or for the unintentionally delayed payment of the fee for issuing each patent, \$820, unless the petition is filed under section 133 or 151 of this title, in which case the fee shall be \$78.]

\* \* \* \* \*

*(7) On filing each petition for the revival of an unintentionally abandoned application for a patent, for the unintentionally delayed payment of the fee for issuing each patent, or for an unintentionally delayed response by the patent owner in a reexamination proceeding, \$1,250, unless the petition is filed under sections 133 or 151 of this title, in which case the fee shall be \$110.*

\* \* \* \* \*

#### **[§ 42. Patent and Trademark Office funding**

[(a) All fees for services performed by or materials furnished by the Patent and Trademark Office will be payable to the Commissioner.

[(b) All fees paid to the Commissioner and all appropriations for defraying the costs of the activities of the Patent and Trademark Office will be credited to the Patent and Trademark Office Appropriation Account in the Treasury of the United States.

[(c) Revenues from fees shall be available to the Commissioner to carry out, to the extent provided in appropriation Acts, the activities of the Patent and Trademark Office. Fees available to the Commissioner under section 31 of the Trademark Act of 1946 may be used only for the processing of trademark registrations and for other activities, services, and materials relating to trademarks and to cover a proportionate share of the administrative costs of the Patent and Trademark Office.

[(d) The Commissioner may refund any fee paid by mistake or any amount paid in excess of that required.

[(e) The Secretary of Commerce shall, on the day each year on which the President submits the annual budget to the Congress, provide to the Committees on the Judiciary of the Senate and the House of Representatives—

[(1) a list of patent and trademark fee collections by the Patent and Trademark Office during the preceding fiscal year;

[(2) a list of activities of the Patent and Trademark Office during the preceding fiscal year which were supported by patent fee expenditures, trademark fee expenditures, and appropriations;

[(3) budget plans for significant programs, projects, and activities of the Office, including out-year funding estimates;

[(4) any proposed disposition of surplus fees by the Office; and

[(5) such other information as the committees consider necessary.]

#### **§42. Patent and Trademark Office funding**

(a) *FEES PAYABLE TO THE OFFICE.*—All fees for services performed by or materials furnished by the United States Patent and Trademark Office shall be payable to the Office.

(b) *USE OF MONEYS.*—Moneys from fees shall be available to the United States Patent and Trademark Office to carry out, to the extent provided in appropriations Acts, the functions of the Office. Moneys of the Office not otherwise used to carry out the functions of the Office shall be kept in cash on hand or on deposit, or invested in obligations of the United States or guaranteed by the United States, or in obligations or other instruments which are lawful investments for fiduciary, trust, or public funds. Fees available to the Office under this title shall be used for the processing of patent applications and for other services and materials relating to patents. Fees available to the Office under section 31 of the Act of July 5, 1946 (commonly referred to as the “Trademark Act of 1946”; 15 U.S.C. 1113), shall be used for the processing of trademark registrations and for other services and materials relating to trademarks.

(c) *BORROWING AUTHORITY.*—The United States Patent and Trademark Office is authorized to issue from time to time for purchase by the Secretary of the Treasury its debentures, bonds, notes, and other evidences of indebtedness (hereafter in this subsection referred to as “obligations”) to assist in financing its activities. Borrowing under this subsection shall be subject to prior approval in appropriations Acts. Such borrowing shall not exceed amounts approved in appropriations Acts. Any borrowing under this subsection shall be repaid only from fees paid to the Office and surcharges appropriated by the Congress. Such obligations shall be redeemable at the option of the Office before maturity in the manner stipulated in such obligations and shall have such maturity as is determined by the Office with the approval of the Secretary of the Treasury. Each such obligation issued to the Treasury shall bear interest at a rate not less than the current yield on outstanding marketable obligations of the United States of comparable maturity during the month preceding the issuance of the obligation as determined by the Secretary of the Treasury. The Secretary of the Treasury shall purchase any obligations of the Office issued under this subsection and for such purpose the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds of any securities issued under chapter 31 of title 31, and the purposes for which securities may be issued under that chapter are extended to include such purpose. Payment under this subsection of the purchase price of such obligations of the United States Patent and Trademark Office shall be treated as public debt transactions of the United States.

#### **§43. Audits**

(a) *IN GENERAL.*—Financial statements of the United States Patent and Trademark Office shall be prepared on an annual basis in accordance with generally accepted accounting principles. Such statements shall be audited by an independent certified public accountant chosen by the Commissioner. The audit shall be conducted in accordance with standards that are consistent with generally accepted Government auditing standards and other standards established by the Comptroller General, and with the generally accepted

auditing standards of the private sector, to the extent feasible. The Commissioner shall transmit to the Committees on the Judiciary of the House of Representatives and the Senate the results of each audit under this subsection.

(b) *REVIEW BY COMPTROLLER GENERAL.*—The Comptroller General may review any audit of the financial statement of the Patent and Trademark Office that is conducted under subsection (a). The Comptroller General shall report to the Congress and the Office the results of any such review and shall include in such report appropriate recommendations.

(c) *AUDIT BY COMPTROLLER GENERAL.*—The Comptroller General may audit the financial statements of the Office and such audit shall be in lieu of the audit required by subsection (a). The Office shall reimburse the Comptroller General for the cost of any audit conducted under this subsection.

(d) *ACCESS TO OFFICE RECORDS.*—All books, financial records, report files, memoranda, and other property that the Comptroller General deems necessary for the performance of any audit shall be made available to the Comptroller General.

(e) *APPLICABILITY IN LIEU OF TITLE 31 PROVISIONS.*—This section applies to the Office in lieu of the provisions of section 9105 of title 31.

## **CHAPTER 5—INVENTION DEVELOPMENT SERVICES**

Sec.

- 51. Definitions.
- 52. Contracting requirements.
- 53. Standard provisions for cover notice.
- 54. Reports to customer required.
- 55. Mandatory contract terms.
- 56. Remedies.
- 57. Records of complaints.
- 58. Fraudulent representation by an invention developer.
- 59. Rule of construction.

### **§51. Definitions**

For purposes of this chapter—

(1) the term “contract for invention development services” means a contract by which an invention developer undertakes invention development services for a customer;

(2) the term “customer” means any person, firm, partnership, corporation, or other entity who is solicited by, seeks the services of, or enters into a contract with an invention promoter for invention promotion services;

(3) the term “invention promoter” means any person, firm, partnership, corporation, or other entity who offers to perform or performs for, or on behalf of, a customer any act described under paragraph (4), but does not include—

(A) any department or agency of the Federal Government or of a State or local government;

(B) any nonprofit, charitable, scientific, or educational organization, qualified under applicable State law or described under section 170(b)(1)(A) of the Internal Revenue Code of 1986; or

(C) any person duly registered and in good standing before the Patent and Trademark Office acting within the scope of that person's registration to practice before the Patent and Trademark Office; and

(4) the term "invention development services" means, with respect to an invention by a customer, any act involved in—

(A) evaluating the invention to determine its protectability as some form of intellectual property, other than evaluation by a person licensed by a State to practice law who is acting solely within the scope of that person's professional license;

(B) evaluating the invention to determine its commercial potential by any person for purposes other than providing venture capital; or

(C) marketing, brokering, licensing, selling, or promoting the invention or a product or service in which the invention is incorporated or used, except that the display only of an invention at a trade show or exhibit shall not be considered to be invention development services.

## **§52. Contracting requirements**

(a) *IN GENERAL.*—(1) Every contract for invention development services shall be in writing and shall be subject to the provisions of this chapter. A copy of the signed written contract shall be given to the customer at the time the customer enters into the contract.

(2) If a contract is entered into for the benefit of a third party, such party shall be considered a customer for the purposes of this chapter.

(b) *REQUIREMENTS OF INVENTION DEVELOPER.*—The invention developer shall—

(1) state in a written document, at the time a customer enters into a contract for invention development services, whether the usual business practice of the invention developer is to—

(A) seek more than 1 contract in connection with an invention; or

(B) seek to perform services in connection with an invention in 1 or more phases, with the performance of each phase covered in 1 or more subsequent contracts; and

(2) supply to the customer a copy of the written document together with a written summary of the usual business practices of the invention developer, including—

(A) the usual business terms of contracts; and

(B) the approximate amount of the usual fees or other consideration that may be required from the customer for each of the services provided by the developer.

(c) *RIGHT OF CUSTOMER TO CANCEL CONTRACT.*—(1) Notwithstanding any contractual provision to the contrary, a customer shall have the right to terminate a contract for invention development services by sending a written letter to the invention developer stating the customer's intent to cancel the contract. The letter of termination must be deposited with the United States Postal Service on or before 5 business days after the date upon which the customer or the invention developer executes the contract, whichever is later.



(2) *Delivery of a promissory note, check, bill of exchange, or negotiable instrument of any kind to the invention developer or to a third party for the benefit of the invention developer, without regard to the date or dates appearing in such instrument, shall be deemed payment received by the invention developer on the date received for purposes of this section.*

**§53. Standard provisions for cover notice**

(a) *CONTENTS.—Every contract for invention development services shall have a conspicuous and legible cover sheet attached with the following notice imprinted in boldface type of not less than 12-point size:*

**“YOU HAVE THE RIGHT TO TERMINATE THIS CONTRACT. TO TERMINATE THIS CONTRACT, YOU MUST SEND A WRITTEN LETTER TO THE COMPANY STATING YOUR INTENT TO CANCEL THIS CONTRACT. THE LETTER OF TERMINATION MUST BE DEPOSITED WITH THE UNITED STATES POSTAL SERVICE ON OR BEFORE FIVE (5) BUSINESS DAYS AFTER THE DATE ON WHICH YOU OR THE COMPANY EXECUTE THE CONTRACT, WHICHEVER IS LATER.**

**“THE TOTAL NUMBER OF INVENTIONS EVALUATED BY THE INVENTION DEVELOPER FOR COMMERCIAL POTENTIAL IN THE PAST FIVE (5) YEARS IS \_\_\_\_\_. OF THAT NUMBER, \_\_\_\_\_ RECEIVED POSITIVE EVALUATIONS AND \_\_\_\_\_ RECEIVED NEGATIVE EVALUATIONS.**

**“IF YOU ASSIGN EVEN A PARTIAL INTEREST IN THE INVENTION TO THE INVENTION DEVELOPER, THE INVENTION DEVELOPER MAY HAVE THE RIGHT TO SELL OR DISPOSE OF THE INVENTION WITHOUT YOUR CONSENT AND MAY NOT HAVE TO SHARE THE PROFITS WITH YOU.**

**“THE TOTAL NUMBER OF CUSTOMERS WHO HAVE CONTRACTED WITH THE INVENTION DEVELOPER IN THE PAST FIVE (5) YEARS IS \_\_\_\_\_. THE TOTAL NUMBER OF CUSTOMERS KNOWN BY THIS INVENTION DEVELOPER TO HAVE RECEIVED, BY VIRTUE OF THIS INVENTION DEVELOPER’S PERFORMANCE, AN AMOUNT OF MONEY IN EXCESS OF THE AMOUNT PAID BY THE CUSTOMER TO THIS INVENTION DEVELOPER IS \_\_\_\_\_.**

**“THE OFFICERS OF THIS INVENTION DEVELOPER HAVE COLLECTIVELY OR INDIVIDUALLY BEEN AFFILIATED IN THE LAST TEN (10) YEARS WITH THE FOLLOWING INVENTION DEVELOPMENT COMPANIES: (LIST THE NAMES AND ADDRESSES OF ALL PREVIOUS INVENTION DEVELOPMENT COMPANIES WITH WHICH THE PRINCIPAL OFFICERS HAVE BEEN AFFILIATED AS OWNERS, AGENTS, OR EMPLOYEES). YOU ARE ENCOURAGED TO CHECK WITH THE UNITED STATES PATENT AND TRADEMARK OFFICE, THE FEDERAL TRADE COMMISSION, YOUR STATE ATTORNEY GENERAL’S OFFICE, AND**

THE BETTER BUSINESS BUREAU FOR ANY COMPLAINTS FILED AGAINST ANY OF THESE COMPANIES.

“YOU ARE ENCOURAGED TO CONSULT WITH AN ATTORNEY OF YOUR OWN CHOOSING BEFORE SIGNING THIS CONTRACT. BY PROCEEDING WITHOUT THE ADVICE OF AN ATTORNEY REGISTERED TO PRACTICE BEFORE THE PATENT AND TRADEMARK OFFICE, YOU COULD LOSE ANY RIGHTS YOU MIGHT HAVE IN YOUR IDEA OR INVENTION.”.

(b) *OTHER REQUIREMENTS FOR COVER NOTICE.*—The cover notice shall contain the items required under subsection (a) and the name, primary office address, and local office address of the invention developer, and may contain no other matter.

(c) *DISCLOSURE OF CERTAIN CUSTOMERS NOT REQUIRED.*—The requirement in the notice set forth in subsection (a) to include the “TOTAL NUMBER OF CUSTOMERS WHO HAVE CONTRACTED WITH THE INVENTION DEVELOPER IN THE PAST FIVE (5) YEARS” need not include information with respect to customers who have purchased trade show services, research, advertising, or other nonmarketing services from the invention developer, nor with respect to customers who have defaulted in their payments to the invention developer.

#### **§54. Reports to customer required**

With respect to every contract for invention development services, the invention developer shall deliver to the customer at the address specified in the contract, at least once every 3 months throughout the term of the contract, a written report that identifies the contract and includes—

(1) a full, clear, and concise description of the services performed to the date of the report and of the services yet to be performed and names of all persons who it is known will perform the services; and

(2) the name and address of each person, firm, corporation, or other entity to whom the subject matter of the contract has been disclosed, the reason for each such disclosure, the nature of the disclosure, and complete and accurate summaries of all responses received as a result of those disclosures.

#### **§55. Mandatory contract terms**

(a) *MANDATORY TERMS.*—Each contract for invention development services shall include in boldface type of not less than 12-point size—

(1) the terms and conditions of payment and contract termination rights required under section 52;

(2) a statement that the customer may avoid entering into the contract by not making a payment to the invention developer;

(3) a full, clear, and concise description of the specific acts or services that the invention developer undertakes to perform for the customer;

(4) a statement as to whether the invention developer undertakes to construct, sell, or distribute one or more prototypes, models, or devices embodying the invention of the customer;

(5) *the full name and principal place of business of the invention developer and the name and principal place of business of any parent, subsidiary, agent, independent contractor, and any affiliated company or person who it is known will perform any of the services or acts that the invention developer undertakes to perform for the customer;*

(6) *if any oral or written representation of estimated or projected customer earnings is given by the invention developer (or any agent, employee, officer, director, partner, or independent contractor of such invention developer), a statement of that estimation or projection and a description of the data upon which such representation is based;*

(7) *the name and address of the custodian of all records and correspondence relating to the contracted for invention development services, and a statement that the invention developer is required to maintain all records and correspondence relating to performance of the invention development services for such customer for a period of not less than 2 years after expiration of the term of such contract; and*

(8) *a statement setting forth a time schedule for performance of the invention development services, including an estimated date in which such performance is expected to be completed.*

(b) *INVENTION DEVELOPER AS FIDUCIARY.—To the extent that the description of the specific acts or services affords discretion to the invention developer with respect to what specific acts or services shall be performed, the invention developer shall be deemed a fiduciary.*

(c) *AVAILABILITY OF INFORMATION.—Records and correspondence described under subsection (a)(7) shall be made available after 7 days written notice to the customer or the representative of the customer to review and copy at a reasonable cost on the invention developer's premises during normal business hours.*

## **§56. Remedies**

(a) *IN GENERAL.—(1) Any contract for invention development services that does not comply with the applicable provisions of this chapter shall be voidable at the option of the customer.*

(2) *Any contract for invention development services entered into in reliance upon any material false, fraudulent, or misleading information, representation, notice, or advertisement of the invention developer (or any agent, employee, officer, director, partner, or independent contractor of such invention developer) shall be voidable at the option of the customer.*

(3) *Any waiver by the customer of any provision of this chapter shall be deemed contrary to public policy and shall be void and unenforceable.*

(4) *Any contract for invention development services which provides for filing for and obtaining utility, design, or plant patent protection shall be voidable at the option of the customer unless the invention developer offers to perform or performs such act through a registered patent attorney or agent.*

(b) *CIVIL ACTION.—(1) Any customer who is injured by a violation of this chapter by an invention developer or by any material false or fraudulent statement or representation, or any omission of mate-*

rial fact, by an invention developer (or any agent, employee, director, officer, partner, or independent contractor of such invention developer) or by failure of an invention developer to make all the disclosures required under this chapter, may recover in a civil action against the invention developer (or the officers, directors, or partners of such invention developer) in addition to reasonable costs and attorneys' fees, the greater of—

(A) \$5,000; or

(B) the amount of actual damages sustained by the customer.

(2) Notwithstanding paragraph (1), the court may increase damages to not more than 3 times the amount awarded.

(c) **REBUTTABLE PRESUMPTION OF INJURY.**—For purposes of this section, substantial violation of any provision of this chapter by an invention developer or execution by the customer of a contract for invention development services in reliance on any material false or fraudulent statements or representations or omissions of material fact shall establish a rebuttable presumption of injury.

#### **§57. Records of complaints**

(a) **RELEASE OF COMPLAINTS.**—The Commissioner shall make all complaints received by the Patent and Trademark Office involving invention developers publicly available, together with any response of the invention developers.

(b) **REQUEST FOR COMPLAINTS.**—The Commissioner may request complaints relating to invention development services from any Federal or State agency and include such complaints in the records maintained under subsection (a), together with any response of the invention developers.

#### **§58. Fraudulent representation by an invention developer**

Whoever, in providing invention development services, knowingly provides any false or misleading statement, representation, or omission of material fact to a customer or fails to make all the disclosures required under this chapter, shall be guilty of a misdemeanor and fined not more than \$10,000 for each offense.

#### **§59. Rule of construction**

Except as expressly provided in this chapter, no provision of this chapter shall be construed to affect any obligation, right, or remedy provided under any other Federal or State law.

## **PART II—PATENTABILITY OF INVENTIONS AND GRANT OF PATENTS**

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### **CHAPTER 10—PATENTABILITY OF INVENTIONS**

\* \* \* \* \*

#### **§ 100. Definitions**

When used in this title unless the context otherwise indicates—

(a) The term “invention” means invention or discovery.

\* \* \* \* \*

(e) *The term “third-party requester” means a person requesting re-examination under section 302 of this title who is not the patent owner.*

\* \* \* \* \*

## CHAPTER 11—APPLICATION FOR PATENT

Sec.

111. Application.

\* \* \* \* \*

122. Confidential status of applications; *publication of patent applications*.

\* \* \* \* \*

### § 111. Application

(a) \* \* \*

(b) PROVISIONAL APPLICATION.—

(1) \* \* \*

\* \* \* \* \*

[(5) ABANDONMENT.—The provisional application shall be regarded as abandoned 12 months after the filing date of such application and shall not be subject to revival thereafter.]

(5) ABANDONMENT.—*Notwithstanding the absence of a claim, upon timely request and as prescribed by the Commissioner, a provisional application may be treated as an application filed under subsection (a). If no such request is made, the provisional application shall be regarded as abandoned 12 months after the filing date of such application and shall not be subject to revival thereafter.*

\* \* \* \* \*

### § 119. Benefit of earlier filing date; right of priority

(a) An application for patent for an invention filed in this country by any person who has, or whose legal representatives or assigns have, previously regularly filed an application for a patent for the same invention in a foreign country which affords similar privileges in the case of applications filed in the United States or to citizens of the United States, *or in a WTO member country*, shall have the same effect as the same application would have if filed in this country on the date on which the application for patent for the same invention was first filed in such foreign country, if the application in this country is filed within twelve months from the earliest date on which such foreign application was filed; but no patent shall be granted on any application for patent for an invention which had been patented or described in a printed publication in any country more than one year before the date of the actual filing of the application in this country, or which had been in public use or on sale in this country more than one year prior to such filing.

(b)(1) *No application for patent shall be entitled to this right of priority unless a claim, identifying the foreign application by specifying its application number, country, and the day, month, and year of its filing, is filed in the Patent and Trademark Office at such*

time during the pendency of the application as required by the Commissioner.

(2) The Commissioner may consider the failure of the applicant to file a timely claim for priority as a waiver of any such claim, and may require the payment of a surcharge as a condition of accepting an untimely claim during the pendency of the application.

(3) The Commissioner may require a certified copy of the original foreign application, specification, and drawings upon which it is based, a translation if not in the English language, and such other information as the Commissioner considers necessary. Any such certification shall be made by the foreign intellectual property authority in which the foreign application was filed and show the date of the application and of the filing of the specification and other papers.

\* \* \* \* \*

(e)(1) \* \* \* \*

\* \* \* \* \*

(3) If the day that is 12 months after the filing date of a provisional application falls on a Saturday, Sunday, or legal holiday as defined in rule 6(a) of the Federal Rules of Civil Procedure, the period of pendency of the provisional application shall be extended to the next succeeding business day.

(f) *APPLICATIONS FOR PLANT BREEDER'S RIGHTS.*—Applications for plant breeder's rights filed in a WTO member country (or in a UPOV Contracting Party) shall have the same effect for the purpose of the right of priority under subsections (a) through (c) of this section as applications for patents, subject to the same conditions and requirements of this section as apply to applications for patents.

(g) *DEFINITIONS.*—As used in this section—

(1) the term “WTO member country” has the same meaning as the term is defined in section 104(b)(2) of this title; and

(2) the term “UPOV Contracting Party” means a member of the International Convention for the Protection of New Varieties of Plants.

## **§ 120. Benefit of earlier filing date in the United States**

An application for patent for an invention disclosed in the manner provided by the first paragraph of section 112 of this title in an application previously filed in the United States, or as provided by section 363 of this title, which is filed by an inventor or inventors named in the previously filed application shall have the same effect, as to such invention, as though filed on the date of the prior application, if filed before the patenting or abandonment of or termination of proceedings on the first application or on an application similarly entitled to the benefit of the filing date of the first application and if it contains or is amended to contain a specific reference to the earlier filed application. *The Commissioner may determine the time period during the pendency of the application within which an amendment containing the specific reference to the earlier filed application is submitted. The Commissioner may consider the failure to submit such an amendment within that time period as a waiver of any benefit under this section. The Commissioner may establish procedures, including the payment of a sur-*

*charge, to accept unavoidably late submissions of amendments under this section.*

\* \* \* \* \*

**[§ 122. Confidential status of applications for patents shall be kept in confidence by the Patent and Trademark Office and no information concerning the same given without authority of the applicant or owner unless necessary to carry out the provisions of any Act of Congress or in such special circumstances as may be determined by the Commissioner.]**

**§ 122. Confidential status of applications; publication of patent applications**

(a) *CONFIDENTIALITY.*—Except as provided in subsection (b), applications for patents shall be kept in confidence by the Patent and Trademark Office and no information concerning the same given without authority of the applicant or owner unless necessary to carry out the provisions of an Act of Congress or in such special circumstances as may be determined by the Commissioner.

(b) *PUBLICATION.*—

(1) *IN GENERAL.*—(A) Subject to paragraph (2), each application for patent, except applications for design patents filed under chapter 16 of this title and provisional applications filed under section 111(b) of this title, shall be published, in accordance with procedures determined by the Commissioner, as soon as possible after the expiration of a period of 18 months from the earliest filing date for which a benefit is sought under this title. At the request of the applicant, an application may be published earlier than the end of such 18-month period.

(B) No information concerning published patent applications shall be made available to the public except as the Commissioner determines.

(C) Notwithstanding any other provision of law, a determination by the Commissioner to release or not to release information concerning a published patent application shall be final and nonreviewable.

(2) *EXCEPTIONS.*—(A) An application that is no longer pending shall not be published.

(B) An application that is subject to a secrecy order pursuant to section 181 of this title shall not be published.

(C)(i) Upon the request of the applicant at the time of filing, the application shall not be published in accordance with paragraph (1) until 3 months after the Commissioner makes a notification to the applicant under section 132 of this title.

(ii) Applications filed pursuant to section 363 of this title, applications asserting priority under section 119 or 365(a) of this title, and applications asserting the benefit of an earlier application under section 120, 121, or 365(c) of this title shall not be eligible for a request pursuant to this subparagraph.

(iii) In a request under this subparagraph, the applicant shall certify that the invention disclosed in the application was

*not and will not be the subject of an application filed in a foreign country.*

*(iv) A request under this subparagraph shall only be available to an applicant who has been accorded the status of independent inventor under section 41(h) of this title.*

*(v) The Commissioner may establish appropriate procedures and fees for making a request under this subparagraph.*

*(c) PRE-ISSUANCE OPPOSITION.—The provisions of this section shall not operate to create any new opportunity for pre-issuance opposition. The Commissioner may establish appropriate procedures to ensure that this section does not create any new opportunity for pre-issuance opposition.*

## CHAPTER 12—EXAMINATION OF APPLICATION

\* \* \* \* \*

### **§ 134. Appeal to the Board of Patent Appeals and Interferences**

**[An applicant for a patent, any of whose claims has been twice rejected, may appeal from the decision of the primary examiner to the Board of Patent Appeals and Interferences, having once paid the fee for such appeal.]**

#### **§ 134. Appeal to the Board of Patent Appeals and Interferences**

*(a) PATENT APPLICANT.—An applicant for a patent, any of whose claims has been twice rejected, may appeal from the decision of the primary examiner to the Board of Patent Appeals and Interferences, having once paid the fee for such appeal.*

*(b) PATENT OWNER.—A patent owner in a reexamination proceeding may appeal from the final rejection of any claim by the primary examiner to the Board of Patent Appeals and Interferences, having once paid the fee for such appeal.*

*(c) THIRD-PARTY.—A third-party requester may appeal to the Board of Patent Appeals and Interferences from the final decision of the primary examiner favorable to the patentability of any original or proposed amended or new claim of a patent, having once paid the fee for such appeal.*

\* \* \* \* \*

### **§ 141. Appeal to Court of Appeals for the Federal Circuit**

**[An applicant dissatisfied with the decision in an appeal to the Board of Patent Appeals and Interferences under section 134 of this title may appeal the decision to the United States Court of Appeals for the Federal Circuit.] An applicant, a patent owner, or a third-party requester, dissatisfied with the final decision in an appeal to the Board of Patent Appeals and Interferences under section 134 of this title, may appeal the decision to the United States Court of Appeals for the Federal Circuit. By filing such an appeal the applicant waives his or her right to proceed under section 145 of this title. A party to an interference dissatisfied with the decision of the Board of Patent Appeals and Interferences on the interference may appeal the decision to the United States Court of Appeals for the**



Federal Circuit, but such appeal shall be dismissed if any adverse party to such interference, within twenty days after the appellant has filed notice of appeal in accordance with section 142 of this title, files notice with the Commissioner that the party elects to have all further proceedings conducted as provided in section 146 of this title. If the appellant does not, within thirty days after the filing of such notice by the adverse party, file a civil action under section 146, the decision appealed from shall govern the further proceedings in the case.

\* \* \* \* \*

#### **§ 143. Proceedings on appeal**

With respect to an appeal described in section 142 of this title, the Commissioner shall transmit to the United States Court of Appeals for the Federal Circuit a certified list of the documents comprising the record in the Patent and Trademark Office. The court may request that the Commissioner forward the original or certified copies of such documents during pendency of the appeal. [In an *ex parte* case, the Commissioner shall submit to the court in writing the grounds for the decision of the Patent and Trademark Office, addressing all the issues involved in the appeal.] *In ex parte and reexamination cases, the Commissioner shall submit to the court in writing the grounds for the decision of the Patent and Trademark Office, addressing all the issues involved in the appeal.* The court shall, before hearing an appeal, give notice of the time and place of the hearing to the Commissioner and the parties in the appeal.

\* \* \* \* \*

#### **§ 145. Civil action to obtain patent**

An applicant dissatisfied with the decision of the Board of Patent Appeals and Interferences in an appeal under section 134(a) of this title may, unless appeal has been taken to the United States Court of Appeals for the Federal Circuit, have remedy by civil action against the Commissioner in the United States District Court for the District of Columbia if commenced within such time after such decision, not less than sixty days, as the Commissioner appoints. The court may adjudge that such applicant is entitled to receive a patent for his invention, as specified in any of his claims involved in the decision of the Board of Patent Appeals and Interferences, as the facts in the case may appear and such adjudication shall authorize the Commissioner to issue such patent on compliance with the requirements of law. All the expenses of the proceedings shall be paid by the applicant.

\* \* \* \* \*

### **CHAPTER 14—ISSUE OF PATENT**

Sec.

151. Issue of patent.

\* \* \* \* \*

154. Contents and term of patent; *provisional rights*.

\* \* \* \* \*

**§ 154. Contents and term of patent; *provisional rights***

(a) \* \* \*

[(b) **TERM EXTENSION.**—

[(1) **INTERFERENCE DELAY OR SECRECY ORDERS.**—If the issue of an original patent is delayed due to a proceeding under section 135(a) of this title, or because the application for patent is placed under an order pursuant to section 181 of this title, the term of the patent shall be extended for the period of delay, but in no case more than 5 years.

[(2) **EXTENSION FOR APPELLATE REVIEW.**—If the issue of a patent is delayed due to appellate review by the Board of Patent Appeals and Interferences or by a Federal court and the patent is issued pursuant to a decision in the review reversing an adverse determination of patentability, the term of the patent shall be extended for a period of time but in no case more than 5 years. A patent shall not be eligible for extension under this paragraph if it is subject to a terminal disclaimer due to the issue of another patent claiming subject matter that is not patentably distinct from that under appellate review.

[(3) **LIMITATIONS.**—The period of extension referred to in paragraph (2)—

[(A) shall include any period beginning on the date on which an appeal is filed under section 134 or 141 of this title, or on which an action is commenced under section 145 of this title, and ending on the date of a final decision in favor of the applicant;

[(B) shall be reduced by any time attributable to appellate review before the expiration of 3 years from the filing date of the application for patent; and

[(C) shall be reduced for the period of time during which the applicant for patent did not act with due diligence, as determined by the Commissioner.

[(4) **LENGTH OF EXTENSION.**—The total duration of all extensions of a patent under this subsection shall not exceed 5 years.]

(b) **TERM EXTENSION.**—

(1) **BASIS FOR PATENT TERM EXTENSION.**—

(A) **DELAY.**—*Subject to the limitations set forth in paragraph (2), if the issue of an original patent is delayed due to—*

- (i) a proceeding under section 135(a) of this title,*
  - (ii) the imposition of an order pursuant to section 181 of this title,*
  - (iii) appellate review by the Board of Patent Appeals and Interferences or by a Federal court where the patent was issued pursuant to a decision in the review reversing an adverse determination of patentability, or*
  - (iv) an unusual administrative delay by the Patent and Trademark Office in issuing the patent,*
- the term of the patent shall be extended for the period of delay.*

(B) **ADMINISTRATIVE DELAY.**—*For purposes of subparagraph (A)(iv), an unusual administrative delay by the Patent and Trademark office is the failure to—*

(i) make a notification of the rejection of any claim for a patent or any objection or argument under section 132 of this title or give or mail a written notice of allowance under section 151 of this title not later than 14 months after the date on which the application was filed;

(ii) respond to a reply under section 132 of this title or to an appeal taken under section 134 of this title not later than 4 months after the date on which the reply was filed or the appeal was taken;

(iii) act on an application not later than 4 months after the date of a decision by the Board of Patent Appeals and Interferences under section 134 or 135 of this title or a decision by a Federal court under section 141, 145, or 146 of this title where allowable claims remain in an application; or

(iv) issue a patent not later than 4 months after the date on which the issue fee was paid under section 151 of this title and all outstanding requirements were satisfied.

(2) LIMITATIONS.—(A) The total duration of any extensions granted pursuant to either clause (iii) or (iv) of paragraph (1)(A) or both such clauses shall not exceed 10 years. To the extent that periods of delay attributable to grounds specified in paragraph (1) overlap, the period of any extension granted under this subsection shall not exceed the actual number of days the issuance of the patent was delayed.

(B) The period of extension of the term of a patent under this subsection shall be reduced by a period equal to the time in which the applicant failed to engage in reasonable efforts to conclude prosecution of the application. The Commissioner shall prescribe regulations establishing the circumstances that constitute a failure of an applicant to engage in reasonable efforts to conclude processing or examination of an application.

(C) No patent the term of which has been disclaimed beyond a specified date may be extended under this section beyond the expiration date specified in the disclaimer.

(3) PROCEDURES.—The Commissioner shall prescribe regulations establishing procedures for the notification of patent term extensions under this subsection and procedures for contesting patent term extensions under this subsection.

\* \* \* \* \*

(d) PROVISIONAL RIGHTS.—

(1) IN GENERAL.—In addition to other rights provided by this section, a patent shall include the right to obtain a reasonable royalty from any person who, during the period beginning on the date of publication of the application for such patent pursuant to section 122(b) of this title, or in the case of an international application designating the United States, the date of international publication of the application, and ending on the date the patent is issued—

(A)(i) makes, uses, offers for sale, or sells in the United States the invention as claimed in the published patent ap-

*plication or imports such an invention into the United States; or*

*(ii) if the invention as claimed in the published patent application is a process, uses, offers for sale, or sells in the United States or imports into the United States products made by that process as claimed in the published patent application; and*

*(B) had actual notice of the published patent application and where the right arising under this paragraph is based upon an international application designating the United States that is published in a language other than English, a translation of the international application into the English language.*

*(2) RIGHT BASED ON SUBSTANTIALLY IDENTICAL INVENTIONS.—The right under paragraph (1) to obtain a reasonable royalty shall not be available under this subsection unless the invention as claimed in the patent is substantially identical to the invention as claimed in the published patent application.*

*(3) TIME LIMITATION ON OBTAINING A REASONABLE ROYALTY.—The right under paragraph (1) to obtain a reasonable royalty shall be available only in an action brought not later than 6 years after the patent is issued. The right under paragraph (1) to obtain a reasonable royalty shall not be affected by the duration of the period described in paragraph (1).*

*(4) REQUIREMENTS FOR INTERNATIONAL APPLICATIONS.—The right under paragraph (1) to obtain a reasonable royalty based upon the publication under the treaty of an international application designating the United States shall commence from the date that the Patent and Trademark Office receives a copy of the publication under the treaty of the international application, or, if the publication under the treaty of the international application is in a language other than English, from the date that the Patent and Trademark Office receives a translation of the international application in the English language. The Commissioner may require the applicant to provide a copy of the international publication of the international application and a translation thereof.*

## CHAPTER 15—PLANT PATENTS

\* \* \* \* \*

### § 161. Patents for plants

Whoever invents or discovers and asexually reproduces any distinct and new variety of plant, including cultivated sports, mutants, hybrids, and newly found seedlings, other than [a tuber propagated plant or] a plant found in an uncultivated state, may obtain a patent therefor, subject to the conditions and requirements of this title.

The provisions of this title relating to patents for inventions shall apply to patents for plants, except as otherwise provided.

\* \* \* \* \*

### § 163. Grant

[In the case of a plant patent the grant shall be of the right to exclude others from asexually reproducing the plant or selling or using the plant so reproduced.] *In the case of a plant patent, the grant shall include the right to exclude others from asexually reproducing the plant, and from using, offering for sale, or selling the plant so reproduced, or any of its parts, throughout the United States, or from importing the plant so reproduced, or any parts thereof, into the United States.*

\* \* \* \* \*

## CHAPTER 17—SECRECY OF CERTAIN INVENTIONS AND FILING APPLICATIONS IN FOREIGN COUNTRY

### § 181. Secrecy of certain inventions and withholding of patent

Whenever publication or disclosure *by the publication of an application* or by the grant of a patent on an invention in which the Government has a property interest might, in the opinion of the head of the interested Government agency, be detrimental to the national security, the Commissioner upon being so notified shall order that the invention be kept secret and shall withhold *the publication of the application* or the grant of a patent therefor under the conditions set forth hereinafter.

Whenever the publication or disclosure of an invention *by the publication of an application* or by the granting of a patent, in which the Government does not have a property interest, might, in the opinion of the Commissioner, be detrimental to the national security, he shall make the application for patent in which such invention is disclosed available for inspection to the Atomic Energy Commission, the Secretary of Defense, and the chief officer of any other department or agency of the Government designated by the President as a defense agency of the United States.

Each individual to whom the application is disclosed shall sign a dated acknowledgment thereof, which acknowledgment shall be entered in the file of the application. If, in the opinion of the Atomic Energy Commission, the Secretary of a Defense Department, or the chief officer of another department or agency so designated, the publication or disclosure of the invention *by the publication of the application* or by the granting of a patent therefor would be detrimental to the national security, the Atomic Energy Commission, the Secretary of a Defense Department, or such other chief officer shall notify the Commissioner and the Commissioner shall order that the invention be kept secret and shall withhold *the publication of the application* or the grant of a patent for such period as the national interest requires, and notify the applicant thereof. Upon proper showing by the head of the department or agency who caused the secrecy order to be issued that the examination of the application might jeopardize the national interest, the Commissioner shall thereupon maintain the application in a sealed condition and notify the applicant thereof. The owner of an application which has been placed under a secrecy order shall have a right to

appeal from the order to the Secretary of Commerce under rules prescribed by him.

An invention shall not be ordered kept secret and *the publication of an application or* the grant of a patent withheld for a period of more than one year. The Commissioner shall renew the order at the end thereof, or at the end of any renewal period, for additional periods of one year upon notification by the head of the department or the chief officer of the agency who caused the order to be issued that an affirmative determination has been made that the national interest continues so to require. An order in effect, or issued, during a time when the United States is at war, shall remain in effect for the duration of hostilities and one year following cessation of hostilities. An order in effect, or issued, during a national emergency declared by the President shall remain in effect for the duration of the national emergency and six months thereafter. The Commissioner may rescind any order upon notification by the heads of the departments and the chief officers of the agencies who caused the order to be issued that the publication or disclosure of the invention is no longer deemed detrimental to the national security.

### PART III—PATENTS AND PROTECTION OF PATENT RIGHTS

\* \* \* \* \*

#### CHAPTER 25—AMENDMENT AND CORRECTION OF PATENTS

\* \* \* \* \*

##### § 252. Effect of reissue

The surrender of the original patent shall take effect upon the issue of the reissued patent, and every reissued patent shall have the same effect and operation in law, on the trial of actions for causes thereafter arising, as if the same had been originally granted in such amended form, but in so far as the claims of the original and reissued patents are *substantially* identical, such surrender shall not affect any action then pending nor abate any cause of action then existing, and the reissued patent, to the extent that its claims are *substantially* identical with the original patent, shall constitute a continuation thereof and have effect continuously from the date of the original patent.

\* \* \* \* \*

#### CHAPTER 28—INFRINGEMENT OF PATENTS

Sec.

271. Infringement of patent.

272. Temporary presence in the United States.

273. *Prior domestic commercial use; defense to infringement.*

\* \* \* \* \*

##### § 273. *Prior domestic commercial use; defense to infringement*

(a) *DEFINITIONS.—For purposes of this section—*

(1) the terms “commercially used”, “commercially use”, and “commercial use” mean the use in the United States in commerce or the use in the design, testing, or production in the United States of a product or service which is used in commerce, whether or not the subject matter at issue is accessible to or otherwise known to the public;

(2) the terms “used in commerce”, and “use in commerce” mean that there has been an actual sale or other commercial transfer of the subject matter at issue or that there has been an actual sale or other commercial transfer of a product or service resulting from the use of the subject matter at issue; and

(3) the “effective filing date” of a patent is the earlier of the actual filing date of the application for the patent or the filing date of any earlier United States, foreign, or international application to which the subject matter at issue is entitled under section 119, 120, or 365 of this title.

(b) *DEFENSE TO INFRINGEMENT.*—(1) A person shall not be liable as an infringer under section 271 of this title with respect to any subject matter that would otherwise infringe one or more claims in the patent being asserted against such person, if such person had, acting in good faith, commercially used the subject matter before the effective filing date of such patent.

(2) The sale or other disposition of the subject matter of a patent by a person entitled to assert a defense under this section with respect to that subject matter shall exhaust the patent owner’s rights under the patent to the extent such rights would have been exhausted had such sale or other disposition been made by the patent owner.

(c) *LIMITATIONS AND QUALIFICATIONS OF DEFENSE.*—The defense to infringement under this section is subject to the following:

(1) *DERIVATION.*—A person may not assert the defense under this section if the subject matter on which the defense is based was derived from the patentee or persons in privity with the patentee.

(2) *NOT A GENERAL LICENSE.*—The defense asserted by a person under this section is not a general license under all claims of the patent at issue, but extends only to the subject matter claimed in the patent with respect to which the person can assert a defense under this chapter, except that the defense shall also extend to variations in the quantity or volume of use of the claimed subject matter, and to improvements in the claimed subject matter that do not infringe additional specifically claimed subject matter of the patent.

(3) *EFFECTIVE AND SERIOUS PREPARATION.*—With respect to subject matter that cannot be commercialized without a significant investment of time, money, and effort, a person shall be deemed to have commercially used the subject matter if—

(A) before the effective filing date of the patent, the person reduced the subject matter to practice in the United States, completed a significant portion of the total investment necessary to commercially use the subject matter, and made a commercial transaction in the United States in connection with the preparation to use the subject matter; and

(B) thereafter the person diligently completed the remainder of the activities and investments necessary to commercially use the subject matter, and promptly began commercial use of the subject matter, even if such activities were conducted after the effective filing date of the patent.

(4) *BURDEN OF PROOF.*—A person asserting the defense under this section shall have the burden of establishing the defense.

(5) *ABANDONMENT OF USE.*—A person who has abandoned commercial use of subject matter may not rely on activities performed before the date of such abandonment in establishing a defense under subsection (b) with respect to actions taken after the date of such abandonment.

(6) *PERSONAL DEFENSE.*—The defense under this section may only be asserted by the person who performed the acts necessary to establish the defense and, except for any transfer to the patent owner, the right to assert the defense shall not be licensed or assigned or transferred to another person except in connection with the good faith assignment or transfer of the entire enterprise or line of business to which the defense relates.

(7) *ONE-YEAR LIMITATION.*—A person may not assert a defense under this section unless the subject matter on which the defense is based had been commercially used or reduced to practice more than one year prior to the effective filing date of the patent by the person asserting the defense or someone in privity with that person.

(d) *UNSUCCESSFUL ASSERTION OF DEFENSE.*—If the defense under this section is pleaded by a person who is found to infringe the patent and who subsequently fails to demonstrate a reasonable basis for asserting the defense, the court shall find the case exceptional for the purpose of awarding attorney’s fees under section 285 of this title.

(e) *INVALIDITY.*—A patent shall not be deemed to be invalid under section 102 or 103 of this title solely because a defense is established under this section.

## **CHAPTER 29—REMEDIES FOR INFRINGEMENT OF PATENT, AND OTHER ACTIONS**

\* \* \* \* \*

### **§ 284. Damages**

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed. *Increased damages under this paragraph shall not apply to provisional rights under section 154(d) of this title.*



The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

\* \* \* \* \*

## CHAPTER 30—PRIOR ART CITATIONS TO OFFICE AND REEXAMINATION OF PATENTS

Sec.

301. Citation of prior art.

\* \* \* \* \*

308. *Reexamination prohibited.*

## CHAPTER 30—PRIOR ART CITATIONS TO OFFICE AND REEXAMINATION OF PATENTS

\* \* \* \* \*

### § 302. Request for reexamination

Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301 of this title. The request must be in writing and must be accompanied by payment of a reexamination fee established by the Commissioner of Patents pursuant to the provisions of section 41 of this title. The request must set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested. Unless the requesting person is the owner of the patent, the Commissioner promptly will send a copy of the request to the owner of record of the patent.

### § 303. Determination of issue by Commissioner

(a) Within three months following the filing of a request for reexamination under the provisions of section 302 of this title, the Commissioner will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On his own initiative, and any time, the Commissioner may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 of this title.

(b) A record of the Commissioner's determination under subsection (a) of this section will be placed in the official file of the patent, and a copy promptly will be given or mailed to the owner of record of the patent and to the person requesting reexamination, if any.

(c) A determination by the Commissioner pursuant to subsection (a) of this section that no substantial new question of patentability has been raised will be final and nonappealable. Upon such a determination, the Commissioner may refund a portion of the reexamination fee required under section 302 of this title.

**[§ 304. Reexamination order by Commissioner**

[If, in a determination made under the provisions of subsection 303(a) of this title, the Commissioner finds that a substantial new question of patentability affecting any claim of a patent is raised, the determination will include an order for reexamination of the patent for resolution of the question. The patent owner will be given a reasonable period, not less than two months from the date a copy of the determination is given or mailed to him, within which he may file a statement on such question, including any amendment to his patent and new claim or claims he may wish to propose, for consideration in the reexamination. If the patent owner files such a statement, he promptly will serve a copy of it on the person who has requested reexamination under the provisions of section 302 of this title. Within a period of two months from the date of service, that person may file and have considered in the reexamination a reply to any statement filed by the patent owner. That person promptly will serve on the patent owner a copy of any reply filed.]

**[§ 305. Conduct of reexamination proceedings**

[After the times for filing the statement and reply provided for by section 304 of this title have expired, reexamination will be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133 of this title. In any reexamination proceeding under this chapter, the patent owner will be permitted to propose any amendment to his patent and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art cited under the provisions of section 301 of this title, or in response to a decision adverse to the patentability of a claim of a patent. No proposed amended or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding under this chapter. All reexamination proceedings under this section, including any appeal to the Board of Patent Appeals and Interferences, will be conducted with special dispatch within the Office.]

**[§ 306. Appeal**

[The patent owner involved in a reexamination proceeding under this chapter may appeal under the provisions of section 134 of this title, and may seek court review under the provisions of sections 141 to 145 of this title, with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent.]

**§ 302. Request for reexamination**

*Any person at any time may file a request for reexamination by the Office of a patent on the basis of any prior art cited under the provisions of section 301 of this title or on the basis of the requirements of section 112 of this title except for the requirement to set forth the best mode of carrying out the invention. The request must be in writing, must include the identity of the real party in interest, and must be accompanied by payment of a reexamination fee established by the Commissioner pursuant to the provisions of section 41 of this title. The request must set forth the pertinency and manner*

*of applying cited prior art to every claim for which reexamination is requested or the manner in which the patent specification or claims fail to comply with the requirements of section 112 of this title. Unless the requesting person is the owner of the patent, the Commissioner promptly shall send a copy of the request to the owner of record of the patent.*

### **§ 303. Determination of issue by Commissioner**

(a) *REEXAMINATION.*—Not later than 3 months after the filing of a request for reexamination under the provisions of section 302 of this title, the Commissioner shall determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On the Commissioner's initiative, at any time, the Commissioner may determine whether a substantial new question of patentability is raised by patents and publications or by the failure of the patent specification or claims to comply with the requirements of section 112 of this title except for the best mode requirement described in section 302.

(b) *RECORD.*—A record of the Commissioner's determination under subsection (a) shall be placed in the official file of the patent, and a copy shall be promptly given or mailed to the owner of record of the patent and to the third-party requester, if any.

(c) *FINAL DECISION.*—A determination by the Commissioner pursuant to subsection (a) shall be final and nonappealable. Upon a determination that no substantial new question of patentability has been raised, the Commissioner may refund a portion of the reexamination fee required under section 302 of this title.

### **§ 304. Reexamination order by Commissioner**

*If, in a determination made under the provisions of section 303(a) of this title, the Commissioner finds that a substantial new question of patentability affecting a claim of a patent is raised, the determination shall include an order for reexamination of the patent for resolution of the question. The order may be accompanied by the initial action of the Patent and Trademark Office on the merits of the reexamination conducted in accordance with section 305 of this title.*

### **§ 305. Conduct of reexamination proceedings**

(a) *IN GENERAL.*—Subject to subsection (b), reexamination shall be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133 of this title. In any reexamination proceeding under this chapter, the patent owner shall be permitted to propose any amendment to the patent and a new claim or claims, except that no proposed amended or new claim enlarging the scope of the claims of the patent shall be permitted.

(b) *RESPONSE.*—(1) This subsection shall apply to any reexamination proceeding in which the order for reexamination is based upon a request by a third-party requester.

(2) With the exception of the reexamination request, any document filed by either the patent owner or the third-party requester shall be served on the other party.

(3) *If the patent owner files a response to any Patent and Trademark Office action on the merits, the third-party requester shall have 1 opportunity to file written comments within a reasonable period not less than 1 month after the date of service of the patent owner's response. Written comments provided under this paragraph shall be limited to issues covered by the Patent and Trademark Office action or the patent owner's response.*

(c) *SPECIAL DISPATCH.—Unless otherwise provided by the Commissioner for good cause, all reexamination proceedings under this section, including any appeal to the Board of Patent Appeals and Interferences, shall be conducted with special dispatch within the Office.*

### **§ 306. Appeal**

(a) *PATENT OWNER.—The patent owner involved in a reexamination proceeding under this chapter—*

*(1) may appeal under the provisions of section 134 of this title, and may appeal under the provisions of sections 141 through 144 of this title, with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent; and*

*(2) may be a party to any appeal taken by a third-party requester pursuant to subsection (b) of this section.*

(b) *THIRD-PARTY REQUESTER.—A third-party requester—*

*(1) may appeal under the provisions of section 134 of this title, and may appeal under the provisions of sections 141 through 144 of this title, with respect to any final decision favorable to the patentability of any original or proposed amended or new claim of the patent; and*

*(2) may be a party to any appeal taken by the patent owner, subject to subsection (c) of this section.*

(c) *PARTICIPATION AS PARTY.—(1) A third-party requester who, under the provisions of sections 141 through 144 of this title, files a notice of appeal or who participates as a party to an appeal by the patent owner is estopped from asserting at a later time, in any forum, the invalidity of any claim determined to be patentable on appeal on any ground which the third-party requester raised or could have raised during the reexamination proceedings.*

*(2) A third-party requester is deemed not to have participated as a party to an appeal by the patent owner unless, not later than 20 days after the patent owner has filed notice of appeal, the third-party requester files notice with the Commissioner electing to participate.*

\* \* \* \* \*

### **§ 308. Reexamination prohibited**

(a) *ORDER FOR REEXAMINATION.—Notwithstanding any provision of this chapter, once an order for reexamination of a patent has been issued under section 304 of this title, neither the patent owner nor the third-party requester, if any, nor privies of either, may file a subsequent request for reexamination of the patent until a reexamination certificate is issued and published under section 307 of this title, unless authorized by the Commissioner.*

(b) *FINAL DECISION.*—Once a final decision has been entered against a party in a civil action arising in whole or in part under section 1338 of title 28 that the party has not sustained its burden of proving the invalidity of any patent claim in suit, then neither that party nor its privies may thereafter request reexamination of any such patent claim on the basis of issues which that party or its privies raised or could have raised in such civil action, and a reexamination requested by that party or its privies on the basis of such issues may not thereafter be maintained by the Office, notwithstanding any other provision of this chapter.

\* \* \* \* \*

## PART IV—PATENT COOPERATION TREATY

\* \* \* \* \*

### CHAPTER 37—NATIONAL STAGE

\* \* \* \* \*

#### **[§ 374. Publication of international application: Effect**

【The publication under the treaty of an international application shall confer no rights and shall have no effect under this title other than that of a printed publication.】

#### **§374. Publication of international application: Effect**

*The publication under the treaty, defined in section 351(a) of this title, of an international application designating the United States shall confer the same rights and shall have the same effect under this title as an application for patent published under section 122(b), except as provided in sections 102(e) and 154(d) of this title.*

\* \* \* \* \*

## SECTION 17 OF THE ACT OF JULY 5, 1946

(COMMONLY REFERRED TO AS THE “TRADEMARK ACT OF 1946”)

【SEC. 17. In every case of interference, opposition to registration, application to register as a lawful concurrent user, or application to cancel the registration of a mark, the Commissioner shall give notice to all parties and shall direct a Trademark Trial and Appeal Boards, to determine and decide the respective rights of registration.

【The Trademark Trial and Appeal Board shall include the Commissioner, the Deputy Commissioner, the Assistant Commissioners, and members appointed by the Commissioner. Employees of the Patent and Trademark Office and other persons, all of whom shall be competent in trademark law, shall be eligible for appointment as members. Each case shall be heard by at least three members of the Board, the members hearing such case to be designated by the Commissioner.】

*SEC. 17. (a) In every case of interference, opposition to registration, application to register as a lawful concurrent user, or application to cancel the registration of a mark, the Commissioner shall*

give notice to all parties and shall direct a Trademark Trial and Appeal Board to determine and decide the respective rights of registration.

(b) *The Trademark Trial and Appeal Board shall include the Commissioner, the Deputy Commissioner for Patents, the Deputy Commissioner for Trademarks, and members competent in trademark law who are appointed by the Commissioner.*

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## SECTION 9101 OF TITLE 31, UNITED STATES CODE

### § 9101. Definitions

In this chapter—

(1) \* \* \*

\* \* \* \* \*

(3) “wholly owned Government corporation” means—

(A) \* \* \*

\* \* \* \* \*

(R) *the United States Patent and Trademark Office.*

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## TITLE 5, UNITED STATES CODE

\* \* \* \* \*

## PART I—THE AGENCIES GENERALLY

\* \* \* \* \*

## CHAPTER 5—ADMINISTRATIVE PROCEDURE

\* \* \* \* \*

## SUBCHAPTER I—GENERAL PROVISIONS

### § 500. Administrative practice; general provisions

(a) \* \* \*

\* \* \* \* \*

(e) Subsections (b)–(d) of this section do not apply to practice before the [Patent Office] *United States Patent and Trademark Office* with respect to patent matters that continue to be covered by chapter 3 (sections 31–33) of title 35.

\* \* \* \* \*

## PART III—EMPLOYEES

\* \* \* \* \*

## Subpart D—Pay and Allowances

\* \* \* \* \*

## CHAPTER 51—CLASSIFICATION

\* \* \* \* \*

### § 5102. Definitions; application

(a) \* \* \*

\* \* \* \* \*

(c) This chapter does not apply to—

(2) \* \* \*

\* \* \* \* \*

(23) examiners-in-chief and designated examiners-in-chief in the [Patent and Trademark Office, Department of Commerce] *United States Patent and Trademark Office*;

\* \* \* \* \*

## CHAPTER 53—PAY RATES AND SYSTEMS

\* \* \* \* \*

### SUBCHAPTER II—EXECUTIVE SCHEDULE PAY RATES

\* \* \* \* \*

### § 5316. Positions at level V

Level V of the Executive Schedule applies to the following positions, for which the annual rate of basic pay shall be the rate determined with respect to such level under chapter 11 of title 2, as adjusted by section 5318 of this title:

Administrator, Bonneville Power Administration, Department of the Interior.

Administrator of the National Capital Transportation Agency.

Associate Administrators of the Small Business Administration (4).

\* \* \* \* \*

[Commissioner of Patents, Department of Commerce.]

\* \* \* \* \*

[Deputy Commissioner of Patents and Trademarks.

[Assistant Commissioner for Patents.

[Assistant Commissioner for Trademarks.]

Commissioner, Administration on Children, Youth, and Families.

Director, Bureau of Transportation Statistics.

\* \* \* \* \*

## ACT OF FEBRUARY 14, 1903

**CHAP. 552.**—An Act To establish the Department of Commerce and Labor.

\* \* \* \* \*

## BUREAUS IN DEPARTMENT

SEC. 12. The following named bureaus, administrations, services, offices, and programs of the public service, and all that pertains thereto, shall be under the jurisdiction and subject to the control of the Secretary of Commerce:

- [(a)] (1) National Oceanic and Atmospheric Administration;
- [(b)] (2) United States Travel and Tourism Administration;
- [(c)] (3) National Institute of Standards and Technology;
- [(d)] Patent and Trademark Office;]
- [(e)] (4) Bureau of the Census;
- [(f)] (5) United States Fire Administration; and
- [(g)] (6) such other bureaus or other organizational units as the Secretary of Commerce may from time to time establish in accordance with law.

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**ACT OF APRIL 12, 1892**

[No. 8.] Joint resolution to encourage the establishment and endowment of institutions of learning at the national capital by defining the policy of the Government with reference to the use of its literary and scientific collections by students.

Whereas, large collections illustrative of the various arts and sciences and facilitating literary and scientific research have been accumulated by the action of Congress through a series of years at the national capital; and

Whereas it was the original purpose of the Government thereby to promote research and the diffusion of knowledge, and is now the settled policy and present practice of those charged with the care of these collections specially to encourage students who devote their time to the investigation and study of any branch of knowledge by allowing to them all proper use thereof; and

Whereas it is represented that the enumeration of these facilities and the formal statement of this policy will encourage the establishment and endowment of institutions of learning at the seat of Government, and promote the work of education by attracting students to avail themselves of the advantages aforesaid under the direction of competent instructors: Therefore,

*Resolved by the Senate and House of Representatives of the United States of America, in Congress assembled,* That the facilities for research and illustration in the following and any other Governmental collections now existing or hereafter to be established in the city of Washington for the promotion of knowledge shall be accessible, under such rules and restrictions as the officers in charge of each collection may prescribe, subject to such authority as is now or may hereafter be permitted by law, to the scientific investigators and to students of any institution of higher education now incorporated or hereafter to be incorporated under the laws of Congress or of the District of Columbia, to wit:

One. Of the Library of Congress.

Two. Of the National Museum.



Three. Of the [Patent Office] *United States Patent and Trademark Office*.

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## FEDERAL FOOD, DRUG, AND COSMETIC ACT

### CHAPTER V—DRUGS AND DEVICES

#### SUBCHAPTER A—DRUGS AND DEVICES

\* \* \* \* \*

#### NEW DRUGS

SEC. 505. (a) \* \* \*

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(m) For purposes of this section, the term “patent” means a patent issued by the [Patent and Trademark Office of the Department of Commerce] *United States Patent and Trademark Office*.

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#### NEW ANIMAL DRUGS

SEC. 512. (a) \* \* \*

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(o) For purposes of this section, the term “patent” means a patent issued by the [Patent and Trademark Office of the Department of Commerce] *United States Patent and Trademark Office*.

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## SECTION 105 OF THE FEDERAL ALCOHOL ADMINISTRATION ACT

### UNFAIR COMPETITION AND UNLAWFUL PRACTICES

SEC. 105. (a) \* \* \*

\* \* \* \* \*

(e) LABELING.—To sell or ship or deliver for sale or shipment, or otherwise introduce in interstate or foreign commerce, or to receive therein, or to remove from customs custody for consumption, any distilled spirits, wine, or malt beverages in bottles, unless such products are bottled, packaged, and labeled in conformity with such regulations, to be prescribed by the Administrator, with respect to packaging, marking, branding, and labeling and size and fill of container (1) as will prohibit deception of the consumer with respect to such products or the quantity thereof and as will prohibit, irrespective of falsity, such statements relating to age, manufacturing processes, analyses, guarantees, and scientific or irrelevant matters as the Administrator finds to be likely to mislead the consumer; (2) as will provide the consumer with adequate information as to the identity and quality of the products, the alcoholic content thereof (except that statements of, or statements likely to

be considered as statements of, alcoholic content of malt beverages are prohibited unless required by State law and except that, in case of wines, statements of alcoholic content shall be required only for wines containing more than 14 per centum of alcohol by volume), the net contents of the package, and the manufacturer or bottler or importer of the product; (3) as will require an accurate statement, in the case of distilled spirits (other than cordials, liqueurs, and specialties) produced by blending or rectification, if neutral spirits have been used in the production thereof, informing the consumer of the percentage of neutral spirits so used and of the name of the commodity from which such neutral spirits have been distilled, or in case of neutral spirits or of gin produced by a process of continuous distillation, the name of the commodity from which distilled; (4) as will prohibit statements on the label that are disparaging of a competitor's products or are false, misleading, obscene, or indecent; and (5) as will prevent deception of the consumer by use of a trade or brand name that is the name of any living individual of public prominence, or existing private or public organization, or is a name that is in simulation or is an abbreviation thereof, and as will prevent the use of a graphic, pictorial, or emblematic representation of any such individual or organization, if the use of such name or representation is likely falsely to lead the consumer to believe that the product has been indorsed, made, or used by, or produced for, or under the supervision of, or in accordance with the specifications of, such individual or organization: *Provided*, That this clause shall not apply to the use of the name of any person engaged in business as a distiller, brewer, rectifier, blender, or other producer, or as an importer, wholesaler, retailer, bottler, or warehouseman, of distilled spirits, wine, or malt beverages, nor to the use by any person of a trade or brand name used by him or his predecessor in interest prior to the date of enactment of this Act; including regulations requiring, at time of release from customs custody, certificates issued by foreign governments covering origin, age, and identity of imported products: *Provided further*, That nothing herein nor any decision, ruling, or regulation of any Department of the Government shall deny the right of any person to use any trade name or brand of foreign origin not presently effectively registered in the [United States Patent Office] *United States Patent and Trademark Office* which has been used by such person or predecessors in the United States for a period of at least five years last past, if the use of such name or brand is qualified by the name of the locality in the United States in which the product is produced, and, in the case of the use of such name or brand on any label or in any advertisement, if such qualification is as conspicuous as such name or brand.

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## TITLE 28, UNITED STATES CODE

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## PART V—PROCEDURE

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### CHAPTER 91—UNITED STATES COURT OF FEDERAL CLAIMS

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#### § 1498. Patent and copy-right cases

(a) Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture. *Reasonable and entire compensation shall include the owner's reasonable costs, including reasonable fees for expert witnesses and attorneys, in pursuing the action if the owner is an independent inventor, a nonprofit organization, or an entity that had no more than 500 employees at any time during the 5-year period preceding the use or manufacture of the patented invention by or for the United States.*

For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

The court shall not award compensation under this section if the claim is based on the use or manufacture by or for the United States of any article owned, leased, used by, or in the possession of the United States prior to July 1, 1918.

A Government employee shall have the right to bring suit against the Government under this section except where he was in a position to order, influence, or induce use of the invention by the Government. This section shall not confer a right of action on any patentee or any assignee of such patentee with respect to any invention discovered or invented by a person while in the employment or service of the United States, where the invention was related to the official functions of the employee, in cases in which such functions included research and development, or in the making of which Government time, materials or facilities were used.

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### CHAPTER 115—EVIDENCE; DOCUMENTARY

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#### § 1744. Copies of [Patent Office] *United States Patent and Trademark Office* documents, generally

Copies of letters patent or of any records, books, papers, or drawings belonging to the [Patent Office] *United States Patent and Trademark Office* and relating to patents, authenticated under the seal of the [Patent Office] *United States Patent and Trademark*

*Office* and certified by the **【Commissioner of Patents】** *Commissioner of Patents and Trademarks*, or by another officer of the **【Patent Office】** *United States Patent and Trademark Office* authorized to do so by the Commissioner, shall be admissible in evidence with the same effect as the originals.

Any person making application and paying the required fee may obtain such certified copies.

#### **§ 1745. Copies of foreign patent documents**

Copies of the specifications and drawings of foreign letters patent, or applications for foreign letters patent, and copies of excerpts of the official journals and other official publications of foreign patent offices belonging to the **【United States Patent Office】** *United States Patent and Trademark Office*, certified in the manner provided by section 1744 of this title are prima facie evidence of their contents and of the dates indicated on their face.

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### **CHAPTER 123—FEES AND COSTS**

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#### **§ 1928. Patent infringement action; disclaimer not filed**

Whenever a judgment is rendered for the plaintiff in any patent infringement action involving a part of a patent and it appears that the patentee, in his specifications, claimed to be, but was not, the original and first inventor or discoverer of any material or substantial part of the thing patented, no costs shall be included in such judgment, unless the proper disclaimer has been filed in the **【Patent Office】** *United States Patent and Trademark Office* prior to the commencement of the action.

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### **SECTION 160 OF THE ATOMIC ENERGY ACT OF 1954**

SEC. 160. SAVING CLAUSE.—Any patent application on which a patent was denied by the **【United States Patent Office】** *United States Patent and Trademark Office* under sections 11(a)(1), 11(a)(2), or 11(b) of the Atomic Energy Act of 1946, and which is not prohibited by section 151 or section 155 of this Act may be reinstated upon application to the **【Commissioner of Patents】** *Commissioner of Patents and Trademarks* within one year after enactment of this Act and shall then be deemed to have been continuously pending since its original filing date: *Provided, however,* That no patent issued upon any patent application so reinstated shall in any way furnish a basis of claim against the Government of the United States.

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## SECTION 305 OF THE NATIONAL AERONAUTICS AND SPACE ACT OF 1958

### PROPERTY RIGHTS IN INVENTIONS

SEC. 305. (a) \* \* \*

\* \* \* \* \*

(c) No patent may be issued to any applicant other than the Administrator for any invention which appears to the [Commissioner of Patents] *Commissioner of Patents and Trademarks* to have significant utility in the conduct of aeronautical and space activities unless the applicant files with the Commissioner, with the application or within thirty days after request therefor by the Commissioner, a written statement executed under oath setting forth the full facts concerning the circumstances under which such invention was made and stating the relationship (if any) of such invention to the performance of any work under any contract of the Administration. Copies of each such statement and the application to which it relates shall be transmitted forthwith by the Commissioner to the Administrator.

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## SECTION 12 OF THE SOLAR HEATING AND COOLING DEMONSTRATION ACT OF 1974

### DISSEMINATION OF INFORMATION AND OTHER ACTIONS TO PROMOTE PRACTICAL USE OF SOLAR HEATING AND COOLING TECHNOLOGIES

SEC. 12. (a) The Secretary shall take all possible steps to assure that full and complete information with respect to the demonstrations and other activities conducted under this Act is made available to Federal, State, and local authorities, the building industry and related segments of the economy, the scientific and technical community, and the public at large, both during and after the close of the programs under this Act, with the objective of promoting and facilitating to the maximum extent feasible the early and widespread practical use of solar energy for the heating and cooling of buildings throughout the United States. In accordance with regulations prescribed under section 16 such information shall be disseminated on a coordinated basis by the Secretary, the Administrator, the Director of the National Bureau of Standards, the Director, the [Commissioner of the Patent Office] *Commissioner of Patents and Trademarks*, and other appropriate Federal offices and agencies.

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## TITLE 44, UNITED STATES CODE

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## CHAPTER 11—EXECUTIVE AND JUDICIARY PRINTING AND BINDING

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**§ 1111. Annual reports: time for furnishing manuscript and proofs to Public Printer**

The appropriations made for printing and binding may not be used for an annual report or the accompanying documents unless the manuscript and proof is furnished to the Public Printer in the following manner:

- manuscript of the documents accompanying annual reports on or before February 1, each year;
- manuscript of the annual report on or before February 15, each year;
- complete revised proofs of the accompanying documents on March 1, each year, and of the annual reports on March 10, each year.

Annual reports and accompanying documents shall be printed, made public, and available for distribution not later than within the first five days after the assembling of each regular session of Congress.

This section does not apply to the annual reports of the Smithsonian Institution, [the Commissioner of Patents,] the Comptroller of the Currency, or the Secretary of the Treasury.

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**§ 1114. Annual reports: number of copies for Congress**

One thousand copies of the annual reports of the departments to Congress shall be printed for the Senate, and two thousand for the House of Representatives.

The usual number only of the reports of the Chief of Engineers of the Army, [the Commissioner of Patents,] the Commissioner of Internal Revenue, the report of the Chief Signal Officer of the Department of the Army, and the Chief of Ordnance shall be printed.

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**§ 1123. Binding materials; bookbinding for libraries**

Binding for the departments of the Government shall be done in plain sheep or cloth, except that record and account books may be bound in Russia leather, sheep fleshers, and skivers, when authorized by the head of a department. The libraries of the several departments, the Library of Congress, the libraries of the Surgeon General's Office, [the Patent Office,] and the Naval Observatory may have books for the exclusive use of these libraries bound in half Turkey, or material no more expensive.

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**CHAPTER 13—PARTICULAR REPORTS AND DOCUMENTS**

Sec.

1301. Agriculture, Department of: report of Secretary.

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[1337. Patent Office: publications authorized to be printed.

[1338. Patent Office: limitations and conditions concerning printing and lithographing.]

**[§ 1337. Patent Office: publications authorized to be printed**

[The Commissioner of Patents, upon the requisition of the Secretary of Commerce may cause to be printed:

[1. PATENTS ISSUED.—The patents for inventions and designs issued by the Patent Office, including grants, specifications, and drawings, together with copies of them, and of patents already issued, in the number needed for the business of the office.

[2. TRADE-MARKS AND LABELS.—The certificates of trade-marks and labels registered in the Patent Office, including descriptions and drawings, together with copies of them, and of trade-marks and labels previously registered, in the numbers needed for the business of the office.

[3. OFFICIAL GAZETTE.—The Official Gazette of the United States Patent Office in numbers sufficient to supply all who subscribe for it at \$5 a year; also for exchange for other scientific publications desirable for the use of the Patent Office; also to supply one copy to each Senator and Representative in Congress; with one hundred additional copies, together with weekly, monthly, and annual indexes. The “usual number” of the Official Gazette may not be printed.

[4. REPORT OF COMMISSIONER OF PATENTS.—The annual report of the Commissioner of Patents, not exceeding five hundred in number, for distribution by him; the annual report of the Commissioner of Patents to Congress, without the list of patents, not exceeding one thousand five hundred in number, for distribution by him; and the annual report of the Commissioner of Patents to Congress, with the list of patents, five hundred copies for sale by him, if needed, and in addition the “usual number” only shall be printed.

[5. RULES OF PRACTICE, LAWS, ETC.—Pamphlet copies of the rules of practice, and of the patent laws, and pamphlet copies of the laws and rules relating to trade-marks and labels, and circulars relating to the business of the office, all in numbers as needed for the business of the office. The “usual number” may not be printed.

[6. DECISIONS OF COMMISSIONER AND COURTS.—Annual volumes of the decisions of the Commissioner of Patents and of the United States courts in patent cases, not exceeding one thousand five hundred in number, of which the usual number shall be printed, and for this purpose a copy of each shall be transmitted to Congress promptly when prepared.

[7. INDEXES.—Indexes to patents relating to electricity, and indexes to foreign patents, in the numbers needed for the business of the office. The “usual number” may not be printed.

**[§ 1338. Patent Office: limitations and conditions concerning printing and lithographing**

[Printing for the Patent Office making use of lithography or photo-lithography, together with the plates, shall be contracted for and performed under the direction of the Commissioner of Patents, under limitations and conditions prescribed by the Joint Committee on Printing, and other printing for the Patent Office shall be done by the Public Printer under limitations and conditions prescribed by the Joint Committee on Printing. The entire work may be done at the Government Printing Office when in the judgment of the

Joint Committee on Printing it is to the interest of the Government.】

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## SECTION 10 OF THE TRADING WITH THE ENEMY ACT

SEC. 10. That nothing contained in this Act shall be held to make unlawful any of the following Acts:

(a) \* \* \*

\* \* \* \* \*

(i) Whenever the publication of an invention by the granting of a patent may in the opinion of the President, be detrimental to the public safety or defense, or may assist the enemy or endanger the successful prosecution of the war, he may order that the invention be kept secret and withhold the grant of a patent until the end of the war: *Provided*, That the invention disclosed in the application for said patent may be held abandoned upon it being established before or by the [Commissioner of Patents] *Commissioner of Patents and Trademarks* that, in violation of said order, said invention has been published or that an application for a patent therefor has been filed in any other country, by the inventor or his assigns or legal representatives, without the consent or approval of the commissioner or under a license of the President.

When an applicant whose patent is withheld as herein provided and who faithfully obeys the order of the President above referred to shall tender his invention to the Government of the United States for its use, he shall, if he ultimately receives a patent, have the right to sue for compensation in the United States Claims Court, such right to compensation to begin from the date of the use of the invention by the Government.

## SECTION 8G OF THE INSPECTOR GENERAL ACT OF 1978

### REQUIREMENTS FOR FEDERAL ENTITIES AND DESIGNATED FEDERAL ENTITIES

SEC. 8G. (a) Notwithstanding section 11 of this Act, as used in this section—

(1) \* \* \*

(2) the term “designated Federal entity” means Amtrak, the Appalachian Regional Commission, the Board of Governors of the Federal Reserve System, the Board for International Broadcasting, the Commodity Futures Trading Commission, the Consumer Product Safety Commission, the Corporation for Public Broadcasting, the Equal Employment Opportunity Commission, the Farm Credit Administration, the Federal Communications Commission, the Federal Deposit Insurance Corporation, the Federal Election Commission, the Federal Housing Finance Board, the Federal Labor Relations Authority, the Federal Maritime Commission, the Federal Trade Commission, the Legal Services Corporation, the National Archives and Records Administration, the National Credit Union Administration, the National Endowment for the Arts, the National Endowment for



the Humanities, the National Labor Relations Board, the National Science Foundation, the Panama Canal Commission, the Peace Corps, the Pension Benefit Guaranty Corporation, the Securities and Exchange Commission, the Smithsonian Institution, the Tennessee Valley Authority, the United States International Trade Commission, *the United States Patent and Trademark Office*, and the United States Postal Service;

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